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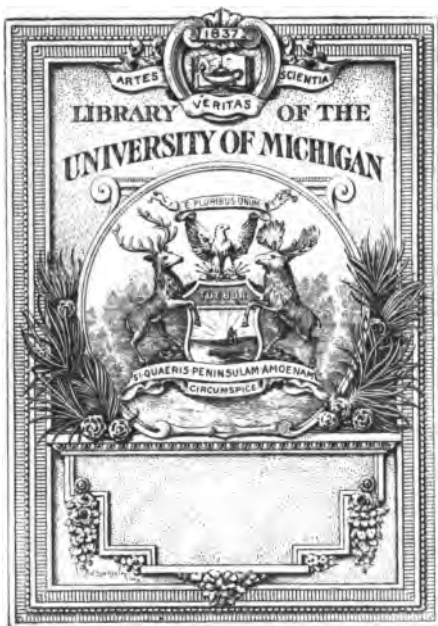
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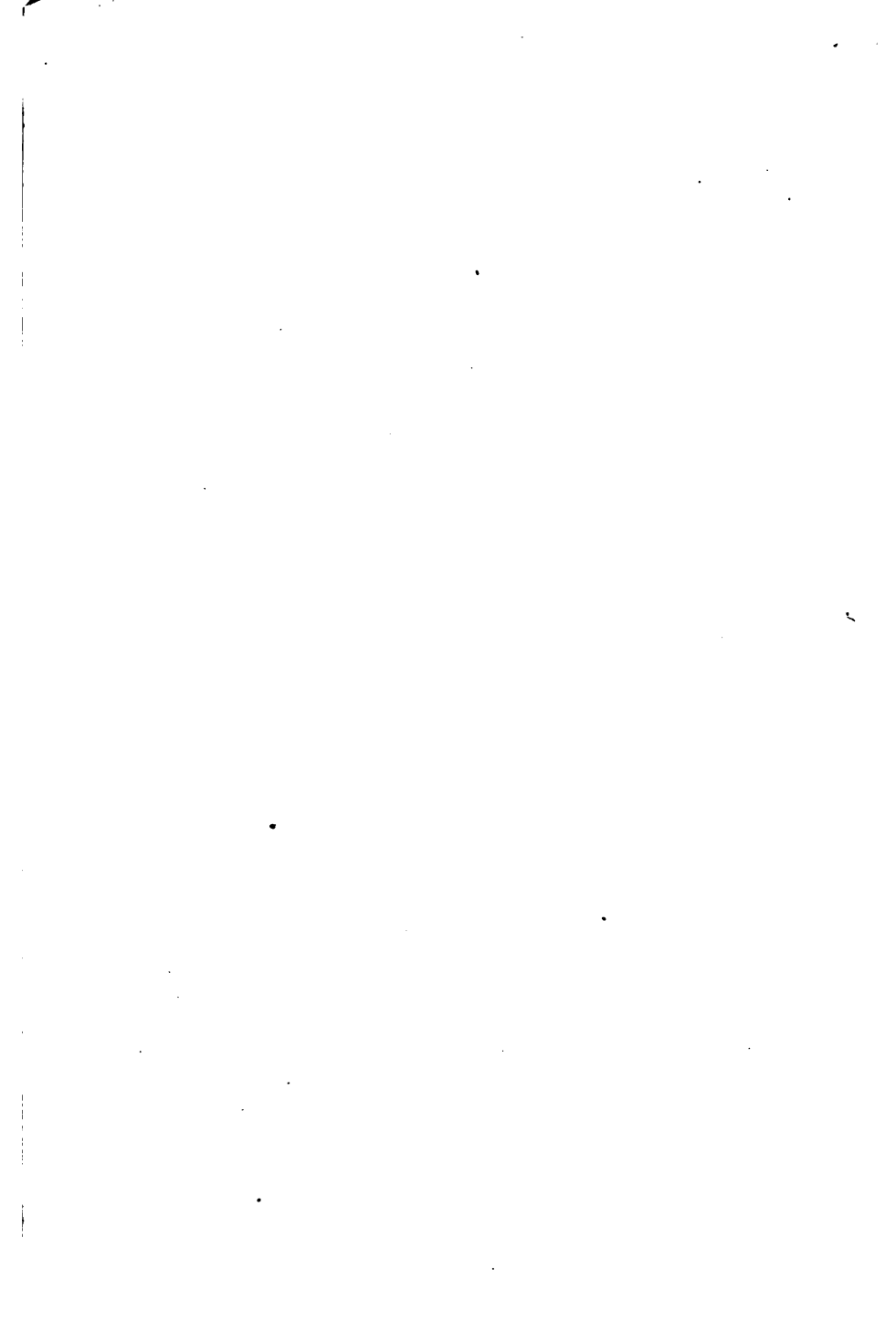
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ON

FREE TRADE AND PROTECTION

COMPILED BY  
JOY E. MORGAN

MINNEAPOLIS  
THE H. W. WILSON COMPANY  
1912





## EXPLANATORY NOTE

Tons of literature, a poorly informed and widely misguided general public, an opportunity for fascinating mental recreation, or prolonged intense study are conspicuous features of the present tariff realm. However, interest is growing and this book should afford guidance to a wide variety of readers. The material here presented is for (1) debaters, (2) students of political economy, and (3) citizens and general readers.

The book may well be used as a supplementary text in debating classes. The brief, tho not exhaustive, will suggest points of approach upon which the student may enlarge. From the bibliography much material has necessarily been excluded. The bibliographies listed herein will be useful to those wishing to go deeper into the subject. They are easily obtained.

It is believed that this book, as the others of the series, will be indispensable to libraries, debating classes and clubs, and helpful to many eager to be more intelligent citizens.

August, 1912.



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## BRIEF

Resolved, That protection is a better commercial policy for the United States than free trade.

### INTRODUCTION

- I. The question is important.
  - A. It dates from the beginning of the government.
  - B. It has been an important issue in the campaigns of the leading political parties.
  - C. Both policies have been tried.
- II. It is generally granted
  - A. That protection is the policy of levying tariff duties for the purpose of restricting foreign trade in favor of home industries.
  - B. That free trade, in common parlance, is the policy of restricting trade only in ways non-protective to home industries, i. e. the policy of levying duties for revenue only.
- III. It may also be admitted
  - A. That the classes affected by a commercial policy of either kind are:
    - 1. The Nation, the people collectively,
    - 2. Producers and distributors,
    - 3. Consumers,
    - 4. Laborers.
- IV. The solution of the question presents four main issues.
  - A. Is protection beneficial to the nation?
  - B. Is it beneficial to the producers and distributors?
  - C. Is it beneficial to the consumers?
  - D. Is it beneficial to the laborers?

## AFFIRMATIVE

The affirmative believes that protection is the better policy for the United States, for,

- I. It is beneficial to the nation.
  - A. It promotes our industrial welfare.
    1. New industries are encouraged.
      - a. Production is made profitable.
      - b. Foreign competition is restricted.
      - c. Infant stages are tided over.
    2. Existing industries are stimulated.
      - a. Production is made more profitable.
      - b. Foreign competition is obstructed.
    3. Natural resources are developed.
      - a. Vegetable and mineral production is encouraged.
    4. Wider diversity of industry is secured.
  - B. It promotes our commercial welfare.
    1. Internal commerce is increased.
      - a. The value of the products of exchange is kept within the country.
    2. Greater commercial security is insured.
      - a. Business is less affected by failures of home enterprises.
      - b. It is less affected by foreign economic conditions.
      - c. It is less affected by the trade wars and retaliatory measures of other countries.
  - C. Protection benefits our social well-being.
    1. Higher wages are paid to laborers.
    2. A greater variety of occupations is offered.
    3. Population is concentrated.
      - a. Higher standards of living result.
  - D. It benefits the nation politically.
    1. Political independence is insured.
      - a. The nation is made capable of producing what it needs, which is absolutely necessary in time of war.

2. National prosperity follows.
  - a. Under protection the nation has been prosperous.
  - b. Periods of free trade have been periods of business depression.
- II. It is beneficial to producers.
  - A. Farmers are benefitted.
    1. Directly.
      - a. By duties on farm products and raw materials.
    2. Indirectly.
      - a. The increased number engaged in manufacturing decreases the number engaged in agriculture.
      - b. The growth of cities around factories creates a greater demand for the products of the soil.
      - c. Manufacturing industries are brought to the farmer's door.
  - B. Manufacturers are benefitted.
    1. A better quality of products is insured.
      - a. Because of the ability to pay higher wages.
      - b. Because of the opportunity of buying better machinery at home.
    2. Larger domestic markets are provided.
      - a. Home consumption is increased.
      - b. Foreign competition is restrained.
    3. Better markets are secured abroad.
      - a. Manufacturers are enabled better to compete with foreign producers.
      - b. Statistics show that foreign trade has grown rapidly under protective tariffs.
- III. It is beneficial to consumers.
  - A. Consumers are able to purchase goods at lower prices.
    1. The cost of transportation is reduced.
      - a. Farm and factory are brought together.



2. The cost of production is reduced.
  - a. Business can be conducted on a larger scale.
  - b. Higher wages are the cheapest.
  - c. Invention is stimulated: by high wages and by increased domestic competition.
3. Manufacturers' profits are no greater.
  - a. They are regulated by domestic competition.
- B. The consumer is relieved of the burden of taxation.
  1. A large fraction of national expenditure is paid by foreign exporters.
- C. Protection creates a home market beneficial to the consumer.
  1. A home market prevents monopoly and the control of prices by unfair means.
    - a. By importers.
    - b. By carriers.
  2. A home market is steady and certain.
  3. It promotes reciprocal interests.
- IV. Protection benefits the laborers.
  - A. They are benefitted economically.
    1. The opportunity for employment is increased.
      - a. New industries are created.
      - b. The production of raw material is increased.
      - c. Transportation is developed.
    2. Higher wages are secured, for,
      - a. The demand for labor is larger.
      - b. There is a larger fund for the payment of wages.
      - c. Methods of production are improved.
      - d. Statistics verify this reasoning.
        - i. Wages are higher in Protective United States than in the same occupations in Free-Trade England.
  - B. They are benefitted socially.
    1. A higher social standard is maintained.

2. Greater opportunity is offered for satisfying natural aptitude in the choice of employment.
  - a. Because industry is diversified by protection.

### NEGATIVE

The negative believes that free trade is the better policy for the United States, for,

#### I. Protection injures the nation.

##### A. The nation is injured economically.

1. National wealth is decreased.
  - a. National wealth depends on the productiveness of industry.
  - b. The productiveness of industry is controlled by natural causes—human capability, climate, and resources—and not by artificial stimulation.
  - c. Protection diverts industry from natural to unnatural pursuits thus losing the benefit of natural capacity.
2. The argument that protection creates new industries is untenable.
  - a. Nothing is created.
  - b. Capital is simply transferred from an industry which is naturally productive to one which is not.
3. The argument that protection diversifies industry is misleading.
  - a. The value of industry depends not on its diversity but on its productiveness.
4. The argument that industries are helped over ruinous stages is unfounded.
  - a. If such industries become productive, the cost exceeds the profit.
  - b. Rarely do they become productive.
    - i. Many of our oldest industries still demand protection.

5. There is no more reason for restricting trade between nations than there is for restricting it between states or between counties.
  - B. The nation is injured socially.
    1. Monopolies are fostered.
      - a. Foreign competition, the safeguard against domestic monopoly, is restricted.
      - b. The most burdensome monopolies are the ones that have benefitted most by the tariff.
    2. Protective class legislation fosters caste and results in inequality and injustice.
      - a. A large fraction of our immense fortunes were made in protected industries at the expense of the poorer class.
  - C. The nation is injured politically.
    1. Our fiscal standing is uncertain.
      - a. Surpluses in the treasury lead to extravagance.
      - b. Deficits hamper the government.
    2. Corruption is fostered.
      - a. Large amounts are expended by interested parties in securing favorable tariff legislation.
    3. International ill feeling is aroused.
      - a. Other nations are offended by our tariff laws and retaliate.
    4. National advancement is checked.
      - a. Advancement can come only thru mutual interchange and good-will.
- II. Protection injures producers and distributors.
- A. Manufacturers are injured.
    1. Their market is restricted.
      - a. Tariff duties decrease the volume of imports.
      - b. Decrease in the volume of imports decreases exports.
        - i. Commodities exchange only for commodities.

- c. Other nations retaliate.
  - i. By high tariffs.
  - ii. By bounties.
  - iii. By inspection laws.
  - iv. By patent laws.
  - v. By trade combinations.
  - vi. By ship subsidies.
- 2. Larger markets are needed.
  - a. In many fields the home market is exhausted.
    - i. Production exceeds consumption.
  - b. Foreign markets are especially desirable.
    - i. They steady competition.
    - ii. They sustain trade in times of depression at home.
    - iii. They afford large opportunities for increase with the consequent lower cost of production.
- B. Farmers are injured by protection.
  - 1. The market for agricultural products is restricted.
  - 2. The farmers' protection is of little value.
    - a. A large fraction of his products is not affected by foreign competition.
      - i. The cost of transportation is prohibitive.
    - b. Much of the remainder is not helped by import duties.
      - i. It is disposed of in the world's market where the price is fixed.
    - c. The only farmer benefitted by protection is the one on the national boundary.
  - 3. Any possible advantage to the farmer is more than offset by the additional cost of the protected articles he consumes.
- C. Distributors are injured.
  - 1. The higher price of protected articles requires a larger capital.

- a. The interest in the difference in cost resulting from protection is a large and direct loss.

### III. Protection injures consumers.

#### A. The tariff is a tax on consumers.

1. The consumer pays higher prices on all articles of daily use which correspond roughly to the import duty on those articles.
2. In certain cases a double tax is paid.
  - a. One on the raw material and one on the finished product.

#### B. More of the tax paid by the consumer goes to the manufacturer than to the government.

1. Many of the articles of domestic production can be hot cheaper abroad than at home.
2. The argument that importers pay taxes is unsound.
  - a. What he pays as duty he adds to the cost of the goods and collects as a part of the price to the consumer.

#### C. The tariff, as taxation, injures the consumer.

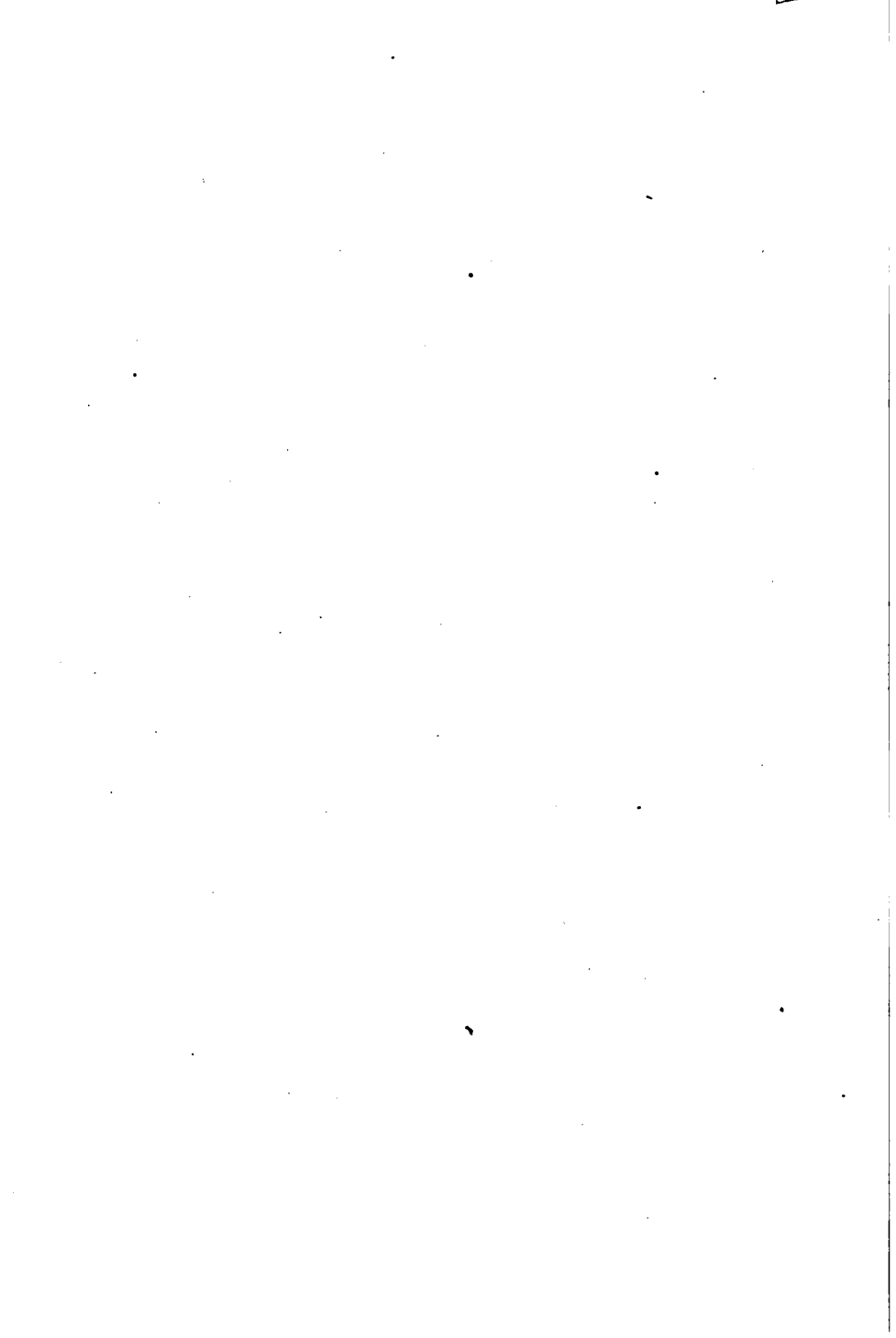
1. Its incidence is concealed.
2. It gives rise to fraud and corruption.
  - a. To smuggling and bribery.
3. It causes favoritism by officials.
  - a. Campaign funds are exchanged for tariff concessions.

### IV. Protection injures laborers.

#### A. It ultimately lowers wages.

1. The fund from which wages are paid is decreased.
  - a. Labor and capital are attracted into unproductive industry where they create less wealth.
2. The argument that protection raises wages is refuted by statistics.
  - a. Wages are as high in unprotected as protected industries.

- b. Before protective tariffs were adopted wages were higher in America than abroad.
  - c. Wages do not rise and fall as the tariff changes.
  - d. Wages are higher in England under free trade than under protection.
  - e. Wages are higher in England under free trade than they are on the Continent, under protection.
- B. Protection increases the cost of living.
- 1. Laborers pay higher prices for nearly all articles of daily consumption.
- C. The argument that the tariff protects wage earners from the competition of the pauper labor of Europe is false.
- 1. The tariff does not keep pauper labor from American shores.
  - 2. The American laborer because of his higher efficiency is cheaper than the less skilled laborer of other countries.
  - 3. Under the regime of protection American capitalists have established duplicate factories abroad disregarding the rights of American labor.
    - a. The retaliatory tariffs of other countries have made this necessary.



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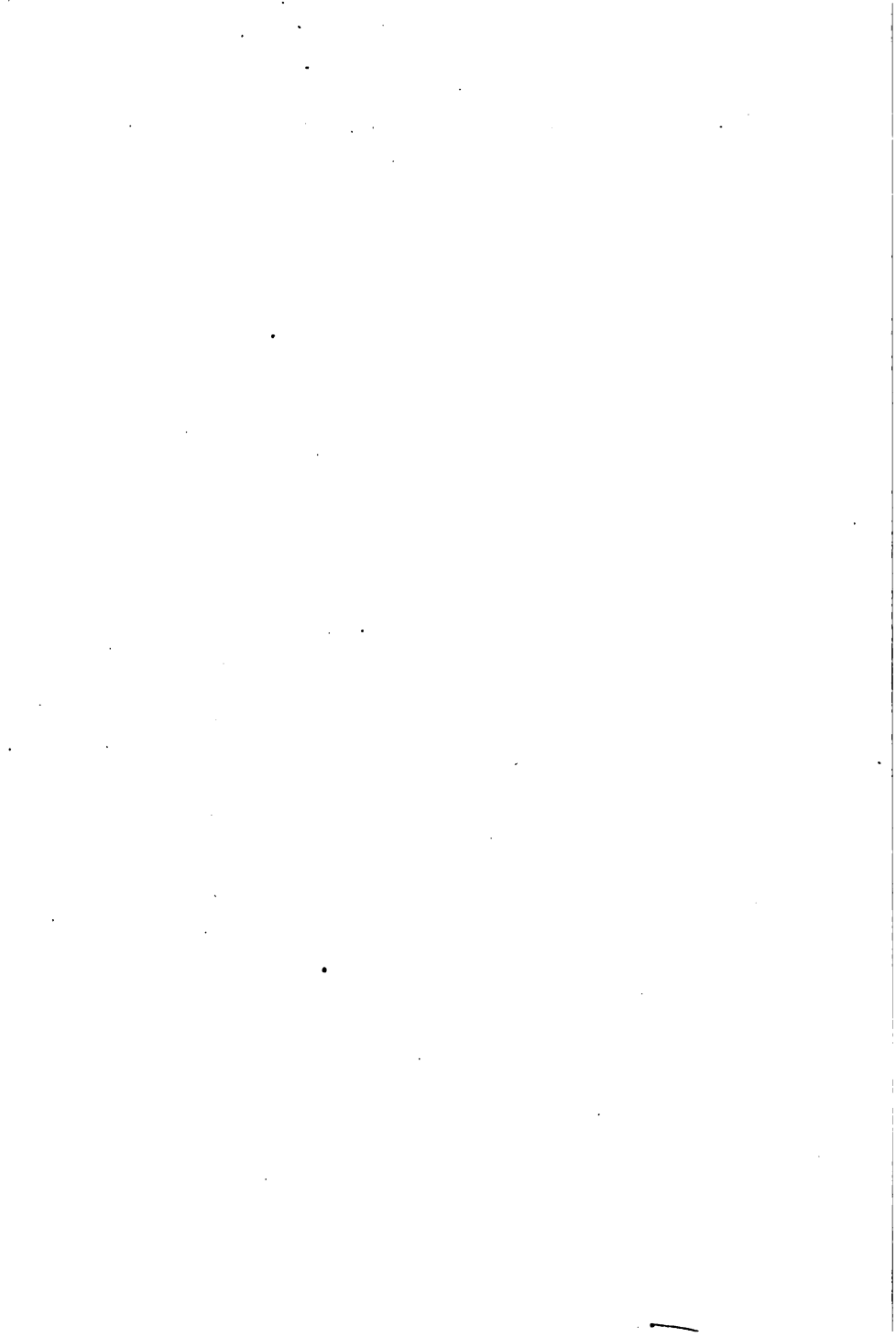
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# SELECTED ARTICLES ON FREE TRADE AND PROTECTION

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## INTRODUCTION

### *Free Trade*

The term, "free trade," has borne various meanings. At present the term designates trade that is either entirely unrestricted or restricted only in ways non-protective to home industries. No government has attempted the former. The latter has been realized in the policy of the United Kingdom, where it was introduced in 1869.

### *United Kingdom*

England's trade restrictions in the form of duties affect (1) goods produced unprofitably in England, for climatic reasons, (2) tobacco, a commodity, the production of which is prohibited in the United Kingdom, (3) alcoholic spirits, the duties on which are exactly offset by internal-revenue duties. It may be seen that these restrictions are carefully so arranged as to contain no trace of protection.

### *Progress and The Division of Labor*

A leading cause of the industrial progress of the world is the division of labor and the accompanying specialization and organization. Many specialists, working in separate fields with the consequent intersharing of products, can produce vastly more in a given time than the same number, each producing for himself the things he requires. This great

increase in the quantity of work possible to the same number of people because of the division of labor is due (1) to the increase in skill attained by each workman in consequence of more practice in his special field, (2) to the saving in time otherwise lost in passing from one kind of work to another, and (3) to the invention of improved machinery, which enables one man to do the work of many. The opportunity to exchange one's special products for the needed products of others is one condition of the division of labor. With no exchange division of labor would be impossible. With exchange entirely free division of labor has its widest extension.

### *Nations as Specialists*

Not only individuals, but states and nations, may, in a sense be specialists. The nation, as the individual, has a natural bent and is better fitted for production in certain lines than in others. The reasons that make freedom of exchange within a country advantageous, render desirable freedom of trade between countries. The essential nature of exchange and society's benefit therefrom, are the same if one party be Smith and the other Jones, as if one party be Germany and the other France. In either case commodities less desired are given for commodities more desired, to the mutual advantage of the parties concerned. So from freedom of trade between nations there results a "territorial division" of labor by which each part of the world pursues those industries to which it is naturally adapted and thereby increases immensely the aggregate productiveness of the world's labor and capital. The larger the freedom of trade, the greater the inducement to each country to use its labor and capital in ways calculated to contribute most to the world's wealth.

### *Protection not Profitable*

Protective duties divert labor and capital from unprotected industries, the natural field of investment, to the protected

industries. This curtails production. That the protected industry needed and continues to require encouragement, is complete proof that it is carried on at a national loss. This national sacrifice, unless justified by sufficient reasons, condemns protection.

#### *Protection and Corruption*

Protection is dangerous on political grounds. It gives to a favored group of men an immense pecuniary interest in the national legislation and subjects legislators to corrupting influences from which they ought to be exempt. The forms of corruption range in ingenuity from certificates of deposit to the loan of favorite corporation secretaries to influential members of congress.

#### *Protection and Business*

Protection to be just must continually change in adaptation to changing industrial conditions. These arbitrary fluctuations are injurious and sometimes disastrous to business thruout the country. Conservative business men have estimated the loss incident to the uncertainty of tariff revision at one million dollars per day. Large manufacturing enterprises dare not manufacture in excess of the immediate demands when in danger of a reduction of import duties on competing products.

#### *Protection and Panics*

The enemies of free trade have pointed to the attempts at its adoption in America as a fruitful source of panics. This relation, if it exists, condemns free trade less than protection. Business uncertainty is due (1) to fear that Congress will decrease the amount of protection, (2) to the manipulation of our wealth, by the few who have come to control so large a fraction of it, so as to coerce Congress into continued or further protection by threatening a panic certain to mortgage the success of the party in power. This fear of retaliation has enabled predatory wealth to exert an

alarming influence in national politics. The causes of panics, therefore, spring from protection, not free trade. Free trade should be adopted by degrees and after careful warning. The policy established, business stability would be free from the shocks of tariff revision.

*Protection and Pauper Labor*

It is argued that free trade forces home labor to compete with foreign labor, whose standard of living is lower, in that products made by cheap labor compete with products manufactured by labor of a higher class. This argument with its grain of truth has deluded laboring people into supporting protection.

In the first place under a policy of free trade the home laborer in buying foreign products would not compete directly with foreign labor because the cost of transportation is in itself partial protection. Then again, under free trade the greater buying power of money, would render a relatively lower wage absolutely higher than under a regime of protection. Under an era of protection assume a man's earning capacity to be 500 dollars per year and his living expenses to be 300 dollars. Assume that when the tariff wall is removed his earning capacity in competition with cheaper labor drops to 450 dollars. It is highly probable that his living expenses would then drop to 225 dollars on account of the greater purchasing power of money under the free trade policy. The laborer is benefitted by the change. As a matter of fact, labor is not stationary, but moves from one country to another. Capital everywhere seeks the labor that brings the largest returns for the minimum expenditure and whether the national commercial policy be restriction or non-restriction, home labor must compete with foreign labor.

Under protection foreign labor is attracted to our own shores, sometimes at the expense of our national ideals and standards of living, and forces home labor into a competition more dangerous than the competition of products made

by the same type of toil under the less favorable conditions of foreign lands.

In general, facts show that high wages and high efficiency are companions, whereas low wages are accompanied by low efficiency. Mr. North, a former director of the United States census, asserts: "That American manufacturers are not greatly handicapped by the higher wages here because man for man, the average American workman can accomplish more in a given time and do better work than the average workman of any other country," which offsets largely the difference in wages between our own and other countries.

### *Protection and War*

Protection as a revenue measure in time of war is a misnomer for insofar as it yields revenue to the government it ceases to protect home industries. Foreign articles must be imported, must displace articles made at home, if they are to yield revenue. However, so long as war is a possibility, no nation can afford to become entirely dependent on other nations for its more important products. Such dependence would enable other nations to weaken their adversary by stopping commerce. For example, America can hardly become dependent on Great Britain for her ships even tho it be more expensive to manufacture them at home. The added expense is justified by the increased safety.

### *Infant Industries*

That it is desirable to protect industries in their infancy has been conceded by many who oppose protection as a general principle. It is generally believed that the lower price of British steel would have prevented the development of the American steel industry had it not been protected. After a period of protection steel can be manufactured cheaper here than abroad. Altho, in this case the country seems to have benefited by protection, it may be inferred from the large fortune amassed by the steel corporation, that more protection was given than was actually needed.



In any case a distinction must be made between protection for industries during a nation's infancy and protection as a general principle for all industries. It requires no inducement on the part of the government to divert capital into promising fields of endeavor. Capital because of its personal interest in the outcome is more aggressive than the government in the exploitation of new ideas and promising industries.

The protectionist in making his exhibit of the results accomplished in the favored industries forgets the many promising industries that this favoritism will destroy.

### *Authorities*

The literature on free trade and protection is so vast, and represents so many interests that it is difficult for the student to make much headway until he has gotten his bearings. It is well to begin with the articles in encyclopedias, followed by a history of the question which may be obtained by following the general literature on the subject. The brief will enable the student to get a bird's eye view of the whole question. A thoro knowledge of the general principles of the question will render less confusing the special arguments on either side, many of which are highly prejudiced.

Joy E. Morgan.

## GENERAL DISCUSSION

**Principles of Political Economy. Volume II. pp. 487-8.**

John Stuart Mill.

The only case in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation) in hopes of naturalizing a foreign industry, in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production, often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience. A country which has this skill and experience yet to acquire, may in other respects be better adapted to the production than those which were earlier in the field: and, besides, it is a just remark, that nothing has a greater tendency to promote improvements in any branch of production, than its trial under a new set of conditions. But it cannot be expected that individuals should, at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burden of carrying it on, until the producers have been educated up to the level of those with whom the processes are traditional. A protecting duty, continued for a reasonable time, will sometimes be the least inconvenient mode in which the nation can tax itself for the support of such an experiment. But the protection should be confined to cases in which there is good ground of assurance that the industry which it fosters will after a time be able to dispense with it; nor should the domestic producers ever be allowed to expect that it will

be continued to them, beyond the time strictly necessary for a fair trial of what they are capable of accomplishing.

Outlook. 92: 264-5. May 29, 1909.

#### Definitions.

The lay reader will be better able to understand the current discussions concerning the tariff if he realizes that tariff duties are framed and levied for different purposes. Classifying duties according to their purpose, we may conveniently arrange them in four classes.

I. Revenue duty. Its object is to raise revenue. It is therefore arranged to raise the largest revenue with the least cost of collection and the least inconvenience to the community. Consequently it is usually levied on a small number of articles, and on luxuries rather than necessities. Thus, in England, where tariff is for revenue only, the duties are levied chiefly on spirits and tobacco.

II. Protective duty. Its object is to protect the home product from foreign competition. It is therefore not levied on a small number of objects, nor necessarily on luxuries rather than on necessities. In framing a protective duty, theoretically the statesman considers what domestic industries it is for the benefit of his country to promote, and he arranges the duties for the purpose of promoting them. Thus, a duty is levied on foreign silks on the supposition that if by the imposition of a tariff the price of foreign silks is increased, American silk factories will be built and American silks manufactured. The object is not to raise revenue, but to lessen importation. Sometimes a protective duty is made so high as to prevent importation altogether. In this case it is called a prohibitory duty, and it brings in no revenue. It is for this reason that, not infrequently, lowering the tariff may increase the revenue.

III. Bargaining duty. That is, a duty levied to give the home government an advantage in tariff bargaining with foreign governments. For this purpose Congress has pro-

posed to make some duties variable, by fixing a maximum above which they cannot be raised and a minimum below which they cannot be lowered, and giving to the Executive power to use this variation in dealing with other countries. For example: Since the Spanish War Spain has put a duty on Porto Rican coffee, and as a result the Porto Rican coffee-planter cannot get a full price for his coffee in Spain, which was formerly his best market. America has a duty on olive oil; it raises a little revenue, promotes the raising of olive oil in California, and has developed the use in America of a cottonseed oil in place of olive oil. Congress might put a maximum and a minimum rate on olive oil, and the President might propose to Spain to adopt the minimum rate provided Spain would correspondingly reduce her tariff on Porto Rican coffee. The result would be that the Porto Rican planters would get back their coffee market in Spain, the American housekeeper would get a pure olive oil in place of the cottonseed oil, and the California production of olive oil would be more or less interfered with. This is what we mean by a bargaining duty. Sometimes it takes the form of a retaliatory duty. If, for example, Germany puts a high duty on American food products, and America responds with a high duty on German toys and wines, such a duty would be termed retaliatory. A retaliatory duty never ought to be resorted to unless every attempt to secure fair trade relations by amicable negotiations has failed.

IV. Countervailing duty. The term countervailing is often though incorrectly applied to bargaining and retaliatory duties. Properly speaking, a countervailing duty is one which neutralizes the effect of some other duty elsewhere imposed. For example: England levies an excise duty on articles made in England, but not on articles made in the Isle of Man. As a result, the manufacturer in the Isle of Man would have a trade advantage over the manufacturer of the same goods in England. To countervail or counteract this disadvantage, England levies an import duty on goods brought into England from the Isle of Man, equal to the excise duty levied on goods manufactured in England.

Again: An import duty levied by the United States on wooden goods manufactured in Canada, equal to an export duty imposed by Canada on unmanufactured lumber sent into the United States, would be a countervailing duty, because its object would be to countervail or counteract the export duty, and give to the American manufacturer equal advantages in his own country with the Canadian manufacturer. In Congressional debates, however, the term "countervailing" has been applied to retaliatory duties, probably from an unconscious desire to avoid the odium which would attach to duties that were frankly called retaliatory.

In the judgment of *The Outlook*, revenue duties and countervailing duties, as defined above, are legitimate; bargaining duties are a necessary incident to a protective system, but the protective system, while advantageous in the early history of our country to produce a diversified industry and consequent economic independence, is no longer necessary to the United States, and the moral evils it involves more than counterbalance any industrial advantages.

**Nineteenth Century. 35: 343-52. February, 1894.**

**Prospects of Free Trade in the United States.**

**Chauncey M. Depew.**

British statesmen of the Colonial period determined to confine the people of the North American colonies to agricultural pursuits, and have England furnish their manufactures. This was one of the causes which led to the Revolutionary War and the Independence of the United States. One of the earliest messages of George Washington, our first President, was to approve a report of the Secretary of the Treasury, Alexander Hamilton, embodying a scheme for developing the resources and promoting the industries of the country by a protective tariff. Hamilton was one of the most original and creative statesmen of any age or of any country. His report has formed the basis of all legislation and presented the gist of every argument on the subject

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from that day to this. Upon the modification but never upon the abandonment of this policy, upon the details of protection but never upon the principles of free trade, every political contest was fought down to our Civil War.

The requirements for revenue in that tremendous contest led to the enactment in 1861 of a higher and more general tariff than ever, which remained in force, practically unchanged, except to include other products, until the McKinley Bill. The McKinley legislation was really a codification of the many laws which had been enacted since 1861, with such alterations as changed conditions seemed to demand. It released wholly or in part articles which no longer needed protection, and took from the free list, or increased the tariff upon, articles hitherto imported which, being produced in the United States, would furnish employment in new industries to a population which was increasing by stimulated and unusually heavy immigration too rapidly to be readily absorbed.

The measure produced unusual excitement and alarm, because it was enacted on the eve of a general election, and when a large and comprehensive reduction of duties was expected. Its possible evils were magnified in prophecy, and there was no time for demonstrating its results. The country, frightened by the clamour, rushed madly from the imagined danger of its enforcement to the real perils of an industrial revolution.

The first election of Mr. Cleveland, in 1884, meant much but accomplished nothing. He was a sort of Prime Minister with a hostile parliament. He could lecture Congress, but could not lead it. Mr. Cleveland is a phenomenon in politics. When he came to the Presidency, he had never visited Washington, never met the national leaders, and never studied nor discussed the principles of his party or of the Opposition. He was an excellent lawyer, possessed of indomitable industry, honest and courageous. He applied himself earnestly to the study of the tariff questions, and came out, where everyone whose knowledge of that subject is from text-books rather than experience is bound to, on the

side of free trade. His re-nomination and re-election were admitted on all sides. That sense of fairness which pre-eminently characterises our race determined that he ought to have a trial with a friendly Congress. But with the eagerness of his new-found faith, and carried away with enthusiasm by what seemed to him novel but impregnable principles, he disregarded warning and entreaty from his advisers and promulgated his famous Tariff Reform message. The country was unprepared for the drastic changes recommended, and the Republicans came again into power with General Harrison. The seed, however, sown by Mr. Cleveland bore abundant fruit. It gave vitality to the Democratic party, and placed in its moss-covered platform a new and attractive plank. The forces of opposition to existing policies, which had been gathering for a generation, had at last found a leader and a leading idea.

The central phalanx of the Opposition was the Southern States, which had seceded from the Union, and, after their unsuccessful revolt, had resumed their old position in the Republic. Their fear of the political power of their emancipated and citizenised slaves made them unquestioning supporters of the Democratic party, no matter what it professed, or promised, or did, or left undone. They controlled the party machinery within their states, and believed that while the Republican party might find means for the register and record of the negro votes, their own party would give them moral or material assistance for their suppression. The dread of the possible civic and social results of the black voters' numerical strength overrides with an otherwise patriotic and public-spirited community every other consideration. The law of self-preservation, they claim, is higher than either the common or statute law.

The South is both the strength and weakness of the Democratic party. In the thirteen southern states the verdict is so well known before election that the leaders need expend neither time nor money. The electoral vote of these commonwealths is a fixed quantity which nothing can change. It is of almost incalculable value to the Democratic party in

a Presidential contest that it can start in the race with this advantage, and a fearful handicap to the Republicans that they must gain by hard work an equal position before the contest is fair and even. But free discussion and public debate, contending parties and possible victories or defeats, are the elements of political education. The South is a tunnel through which the clashing principles of the great national organisations are carried, to fight their battles in the Northern and Middle, the Western and the Pacific States. Hence the Southern Democrats become wedded to opinions at variance with their party. They are inflexibly loyal at the polls to put Democratic candidates in office, and assert a fiery independence in Congress when ordered to support party measures. They failed Mr. Cleveland almost unanimously in his desperate effort to repeal the law authorising the purchase of silver, and on the tariff they are doubtful or hostile, because they find the interests of their constituents and almost the existence of the new industries of their states threatened by the revenue measures of the Administration.

The numerically small but very influential thinkers and writers of the free-trade school, through the magazines and daily newspapers, from the lecture-room of the college, and the public platform, by pamphlet and leaflet, pictured the national millennium which would follow the overthrow of protection. The opened markets of the world were to demand the surplus products of our factories and mills. To supply this happy drain upon our resources, capital was to find fresh and more profitable fields, and labour steadier employment and better remuneration.

In many of the states large masses, and in some of them the majority of the voters, had been captivated by the apostles of a new economic gospel. Its fantastic programme was in harmony with the eccentricities of its leading advocates. They calmly relegated to the rear the main issues of the impending battle, and especially revenue questions, and followed the flag of governmental paternalism. They preferred silver to gold as a basis for currency because there is more of the former. They would abolish the national banks,



and at every railway station an agent of the Treasury would loan money to the people at nominal rates of interest upon the security of their crops and flocks. There should be free coinage of silver, which was to be legal tender for all dues, whether to the government or between citizens, and debts and debtors were to be carried to the financial haven of credit and prosperity by a deluge of paper money. The Democratic leaders first coquetted and then formed a temporary alliance with these people, and they became a most valuable auxiliary to the army assaulting the Republican entrenchments.

Though civil-service reform has made notable and most beneficial progress within a few years past, the spoils system still possesses a hundred thousand offices which are the prizes of changing Administrations, and the rewards of the workers of the successful party. For every appointee who was angry because his own estimate of his merits did not materialise into a better place, there are hundreds who are more enraged because they get nothing. Mr. Blaine told me that he had, as Secretary of State in General Harrison's Cabinet, a hundred and fifty vacancies in the foreign service to fill, and that he was compelled to select from four thousand applicants. Every one of these embryo diplomats was earnestly supported by his senator and member of Congress and other local influences. When the prizes were all distributed, the disappointed office-seekers went home on what is known in America as the 'swearing train,' and sharpened their knives for the purpose of getting even at the next election with their unappreciative party.

The opposition against a party which has been long in power gathers in that always considerable and constantly increasing body of voters who, while really attached to the ruling organisation as the best, still feel that a stinging defeat may spur it to take up the pet measure of temperance, or labour, or social legislation, and give it a more advanced position in the legislative programme. These were the incongruous elements which, united in the common purpose of bringing about a change, with its possibilities of being any-

body's or everybody's victory, flocked to Mr. Cleveland's standard of tariff for revenue only, and ultimately free trade.

The Republican party and its policy had been in power thirty-two years. It had come into existence upon the mighty moral issues growing out of the continuance or extension of the slave-owning system. It had stood solidly for the preservation of the national union during the Civil War, and had successfully worked out the difficult problems of the emancipation of the slaves, the reconstruction of the Union, the resumption of specie payments, the restoration of the credit of the Republic, and the funding of the enormous debt incurred in crushing the rebellion. We owed about fifty millions of dollars at the beginning, and over four thousand millions at the close of the struggle. The party was not only committed to the policy of a tariff, primarily for protection, and secondarily for revenue, but protection was the first article of its creed. The gigantic strides which the country has made during the quarter of a century following the War, in population and wealth, in the development of the western wilderness, in founding states and building cities, in opening mines and the enlargement of agricultural area, in the advance in the wages of the artisan and decrease in the cost of living, and particularly in expanding the output of manufactured products from about a thousand million of dollars a year in 1865 to over seven thousand million in 1890, were claimed and believed to be the fruits of the protection of American industries. The Republican party had not been infallible, nor free from the mistakes of parties. It relied too much upon its past, after a generation had come upon the stage who could neither be moved by eloquent presentations of the horrors or the victories of the Civil War, nor won by a recital of the glorious achievements of the party.

Political history does well enough, as a picture, to point at, but the political coach requires the latest improvements in motive power, or it comes to a standstill. Continued successes, and unequalled wisdom and patriotism in great crises had toned down the radicalism and stiffened the con-

servatism of the Republican party. Either its old and marvellous faculty of elasticity and adaptability was impaired, or its leaders saw no reason for its use. Without the sacrifice of principle, it might have prepared for the coming storm. But it stood stubbornly by the chart and compass, the machinery and steering-gear of the past, and met disaster with a courage which mitigated the criticisms upon its discretion. The thirty years' war ended in the total rout at the polls of the party which had won so many decisive victories and made for the Republic the most eventful and progressive period of its history.

Silver contributed nothing to this result, though it was an important factor in the business crisis which followed. In several of the newer states the mining of silver was the principal industry. No party could hope for its electoral votes in a Presidential election which was not favourable to the monetising of this metal in some form. There has been for many years a growing belief, particularly in the agricultural states, that a single gold standard favoured the creditor as against the debtor. The 'Gold Bug' of Wall Street was a bugaboo whose baneful power not only alarmed communities which needed money and had little security of commercial or bankable value to offer for it, but it sent shivers of fright through the grave and dignified Senate at Washington. A large majority of our people had always been favourable to the double standard, and are still anxious for and hopeful of such international agreements as will make it possible. The Bland Bill of 1878, providing for a limited monthly coinage of silver at the old ratio, not accomplishing all that was desired by the silver advocates, our legislation was rushing us headlong to free coinage and a debased currency, when the Sherman suggestion of the purchase at the market price of 4,500,000 ounces of silver a month to be represented by the issue of silver certificates, and to that extent increase the currency, was accepted by all parties as a tentative compromise. The operations of the Bill had accumulated in the Treasury vaults about 160,000,000 dollars' worth of silver at the time of the recent panic. Neither

this sum nor what might be added for several years to come by the operation of the law would, under normal conditions, have materially affected the value or credit of our currency, which amounted to about 1,700,000,000 dollars.

The conditions, however, were abnormal. The Presidential election of 1892 was a surprise. Everybody thought Mr. Cleveland might go in, but very few believed that both the Senate and House of Representatives would also be carried by his friends. The country was paralysed by the plunge it had deliberately taken. Every industrial and business interest in the land was inextricably interwoven with and interdependent upon the protective system. A party had come into possession of the Government pledged to the uprooting of that system. It had declared in its platform that the principle of protection was condemned by the Constitution, and that its practice was robbery and fraud. Not only was its platform the most daring and explicit utterance ever given by an American party or an American statesman for free trade, modified only by the necessities of the revenue, but the letters of acceptance of its candidates, the speeches of its orators, and the editorials of its press promised an immediate and thorough revision of the law, and the excision of every one of its protective features. Bonfires burned on the hilltops, and triumphal processions marched through the valleys, to celebrate the emancipation of the people from the tyranny of the tariff robber-barons and the inauguration of an era of cheaper goods.

What will you do with your victory? was the question eagerly asked from every mill and mine, from every factory and furnace, from every counting-room and banker's office, from every corporation and working-man. The answer was flat and frank. 'We will do what we promised if elected, and what you have specially commissioned and instructed us to carry out.' There never was so direct a mandate from a constituency to an Administration, nor an Administration which knew so well what was expected of it and what it intended to accomplish.

The business of the country at once began to adjust

itself to the proposed change. It was in an unusually conservative and healthy condition. Credits had contracted within narrow limits. There were no great institutions or enterprises in danger to precipitate trouble by their fall. But a panic is as unreasoning in the commercial world as on a field of battle. When the cry rings out "Let every man save himself who can," all is lost. Mr. Cleveland was elected in November, 1892, and inaugurated in March, 1893, and the newly elected Congress was to meet in December. The belief became general that at its first session the body politic would be strapped on the operating-table, and merciless but untrained and unpracticed surgeons would explore with a knife its heart and brain, its liver and lungs, its kidneys and stomach, and its muscles and nerves, for protection parasites. It is customary for the mills and factories to lay up large stocks of raw material and gather equally large stocks of manufactured goods for the approaching season, and for their factors and commission houses to receive and carry the latter until they are absorbed by the usual demands of the markets. The banks practically assume the whole burden by loans upon commercial paper. The fear of losses if the tariff was removed from articles which were enjoying a protection of from five to twenty-five per cent paralyzed this whole process. The market and the mill alike stood still. The banks became alarmed and refused to grant the ordinary accommodations to their customers, and depositors in fright withdrew their deposits in currency or coin, and locked them up in their own vaults.

The familiar principle that a chain is no stronger than its weakest link had a rude illustration soon after Mr. Cleveland's inauguration. The weak link was silver, though its possible danger was far in the future. Imagination takes the seat of judgment at such times, and in the popular mind the Government was on the eve of meeting its obligations, the debtor his dues, and the labourer of receiving his wages, in silver worth only sixty-eight cents on the dollar. The result can hardly be conceived by those who were not in the midst of the revolution. Exchanges ceased to exist, and the elabo-

rate machinery of credits devised in the middle ages, and infinitely improved and enlarged since, went to pieces. The internal commerce of the United States over its rivers and canals, its great lakes and one hundred and seventy thousand miles of railroads, is twenty times larger than its foreign trade. Ninety-five per cent. of it is done by bills of exchange of various kinds, and five per cent. with currency. At least eighty per cent. of the mills, factories, and furnaces locked their doors, and two millions of people were thrown out of employment. Collections between New York and Philadelphia, only ninety miles apart, were made through express companies and by messengers with carpet bags. The demand for the repeal of the Silver Purchase Law became so loud and threatening that the President was compelled to call Congress in extra session. Then occurred one of the most extraordinary spectacles in the history of parties. One half of the President's followers refused to follow his lead, and it required every resource known to power and authority to hold those who professed obedience to their elected chief. The wild horses of Mr. Gladstone obey every suggestion of the bit with the reins in the hand of that veteran able and accomplished whip; but the wild horses of Mr. Cleveland plunged and bolted at the start, nearly upsetting the national coach. If I may continue the figure, which was suggested by General Harrison, it was only by emptying the stalls of the Republican stables and putting their occupants in the traces that the first measure of the Administration, and one vital to its prestige and to the solvency and prosperity of the country, was pulled through at all.

Contrary to expectations, an immediate and full restoration of business and employment did not follow this anxiously desired repeal. A large proportion of industries resumed work, but it was either on half-time or with proportionate reduction in force, and wages were scaled down from ten to twenty per cent. It soon became apparent to the dullest intellect that no sane man or sensibly managed corporation would do more than meet the demands from day to day until

it was known what the tariff legislation was to be. No one dared accumulate stocks of goods and have their value so reduced by Congress as to be sold at a loss. While business was waiting on politics, the elections came off in November in thirteen of the forty-four commonwealths of the Union for members of the legislature and state officers. The constituencies were the same in part which had elected President Cleveland and the present Congress. Though they voted at these elections only for the local officers of their several states, the battle was fought on national issues, and upon the same lines as in the Presidential canvass the year before, in every state except New York. There the contest was complicated by local questions. The results were astounding. The educational campaign for free trade, which, after thirty years of earnest and ceaseless labour, had finally triumphed, was in less than twelve months turned into a disastrous rout. The people did not simply say, they shouted to the theorists and reformers, "If the distant blast from your furnace dries up our resources, we will not be purified by its fire." The state of Iowa, which, though formerly Republican, had become a Democratic state, gave an anti-Administration majority of twenty thousand; the state of Massachusetts did the same, and the state of Pennsylvania increased its Republican majorities of the Presidential Election from fifty to one hundred and twenty-five thousand.

But the state of Ohio was the accepted battle-ground. This commonwealth fairly represents our general American conditions. It is about third in rank in its output of wool, about the same in agriculture, and about fifth in manufactures, among the states. Its industries are varied, and in iron and coal, in wood and glass, in textile fabrics and other articles, cover nearly the whole range of American production. Mr. Cleveland had come within a few hundred of carrying Ohio in 1892, and succeeded in electing one of his electors. Mr. McKinley was a Republican nominee for Governor in 1893, and not only advocated protection, but said, 'I am Protection.' Mr. O'Neal, his Democratic opponent, was the author of the free trade or revenue plank in the

national Democratic platform, and the best possible representative of that idea. The contest ended in the election of McKinley by eighty thousand majority, and two-thirds of the Legislature were Republicans. The constituencies of one half of the Democratic members of Congress had reversed the figures which the year before had given him their seats. The results of these elections fell like a dynamite bomb in the midst of the Democratic Congressional Committee, which was busily at work preparing the Administration Tariff Bill. They are still engaged in a desperate effort to pull together themselves and their measures.

The President, while reaffirming his views, hastened to reassure the country in his recent message to Congress that any legislation would have due regard to existing business interests and the wages of labour, and the Committee threw its doors wide open for those who wished to be heard in defence of their protective duties. The Government said in effect, 'We are opposed on principle to the worship of Diana, but, out of regard for the business and employment of our people and the prosperity of our city, we will do nothing which can injure the trade of the silversmiths of Ephesus.' The reformers abandoned their free-trade principles, and have since been discussing the details of protection. The high debate, whose teachings were one year ago so emphatically approved by the people, has fallen into the slums of compromise and bargain upon the duties which shall be increased or lowered upon each article in controversy. Free trade is a myth, and tariff, for revenue only, a shadow. Most of our industries are stagnant, and the majority of our mills, factories, and furnaces in total or partial paralysis, while the victors are experimenting with the weapons of their protectionist enemies. This singular mixture of high protection for interests too powerful to be attacked, and low duties or none for weaker ones, would be laughable if the consequences were not so serious, resulting in idle capital and unemployed labour, in diminished incomes and unprecedented bankruptcies. Their Bill, now and before it has become still more absurd in the crucible of Senate and House



discussions and amendments, is both a protecting and a revenue measure. It disturbs business without changing either the policy or principles of the past.

A tariff framed to protect certain products or manufactures, as well as to secure revenue, is either within the powers delegated by the Constitution, or it is not. It is either right in theory and practice, or the reverse.

The Democratic party came into power declaring it to be unconstitutional and its enactment and enforcement robbery. Any departure from this position involves them in inextricable difficulties. The Democratic states of Virginia, West Virginia, Maryland, and Tennessee say, 'Free coal from Canada bankrupts us, therefore we must be excepted.' The Democratic state of South Carolina says the same of rice from India; Louisiana of sugar from the West Indies; and Alabama and Missouri, of iron-ore from Cuba. Then the individual Democratic Congressman, whose district by its votes in the recent election has warned him that if the particular industry upon which that neighbourhood depends for its prosperity is disturbed he is doomed to defeat, demands that the exceptions be broadened sufficiently to shelter him. If, under these conditions, the much-heralded measure which was to repeal the alleged atrocities of the McKinley Bill and curb the reputed rapacity of the tariff robber-baron ever reaches President Cleveland for his signature, he will not recognize it. It will belong to that kind of legislative legerdemain where the ambitious politician is willing to sacrifice every section of his law if his name remains on the cover.

The tariff reformers, therefore, find themselves in a position where it is equally hazardous to advance or retreat. They must do something, or confess either the falsity of their promises or the fallacy of their teachings. Such a radical reform as was originally intended they cannot carry through, and anything less is simply an affirmation of the Republican policy. In the meantime, the people, harassed with doubts and fears, losing money, or out of employment, with the impatience of despair or of hunger, are clamouring for action. Every day's delay is regarded as further evi-

dence of incapacity for government. Under these circumstances, a miracle can scarcely pass a measure which would materially alter the present law, and only a miracle can prevent the return of the Protectionists to power.

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**My Experience With, and Views Upon, the Tariff.**

**Andrew Carnegie.**

Many changes have occurred, and hence many changes can be judiciously made in the tariff. There is no doubt about this; but, on the other hand, I have been led to the conclusion that conditions have changed so greatly in the interval that the tariff should now be viewed from a new standpoint.

The writer assumes that a decided majority of our voters are agreed—

First: That it is advisable for new countries to encourage capital by protective duties, when seen to be necessary to develop new industries.

Second: That after full and exhaustive trials, if success be not finally attained, such protection should cease, except as noted hereunder.

Third: That should the experiment succeed, protection becomes unnecessary, and should steadily but gradually be abolished, provided that the home supply of any article absolutely necessary for the national safety shall not thereby be endangered.

So much for the doctrine of protection. That there is a cult who regard that doctrine as sacrosanct and everlasting, none knows better than the writer; but its members are few and not likely to increase, since our country has admittedly developed and gained, and is to continue gaining, manufacturing supremacy in one department after another until it reaches a position where free trade in manufactures would be desirable for it, all the markets of the world open to her,

and hers to the world. Our difficulty will then be to get other nations to agree to free trade.

There will remain importations of foreign luxuries, which should be still heavily taxed for revenue, not protection; the aim being to levy the tax that would produce the greatest revenue from luxuries. This would not seriously affect the producer since the buyer pays all duties, and demand would not be greatly affected by the higher price since only the rich use them.

We have already become by far the greatest of all manufacturing nations. Our "infant industries" of the past have reached maturity, and, speaking generally, are now quite able to protect themselves. The puling infant in the nurse's arms that Congress in 1871 nursed so tenderly will appear next year before its guardian as the stalwart champion who has conquered competitors in many fields, thus proving himself worthy of the protection bestowed upon him in his youth, and fully vindicating the protective policy pursued.

While the tariff as a whole even to-day has ceased to be primarily beneficial as a measure of protection, it has become of vast importance from the standpoint of revenue, and it is to this feature I bespeak the special attention of readers of all parties, for duties upon imports, not for protection, but for needed revenue, should not become a party question. Reasonable men of all parties may be expected to approve this plan of obtaining revenue.

That the huge industrial combinations of our time tend to enlarge the unfair inequalities which existed even before their day in the distribution of wealth will not be questioned; that it is desirable that the contrast between the new cult of multimillionaires and the laborers should be lessened by every available means will also be generally accepted. The tariff is to-day a potent engine for this purpose, and it can be made even more so.

The following should be carefully considered by intelligent men of all parties. The amount of revenue from our imports in 1906 was \$292,000,000; the last fiscal year (1907) it

increased fourteen per cent to \$332,000,000, exactly one half of the total national revenue, \$663,000,000.

Among the duties collected in 1906 (the details for 1907 have not yet been published) were the following:

1906	
Duties collected upon	Amounts
Cotton manufactures .....	\$33,349,000
Leather manufactures .....	5,073,000
Silk manufactures .....	17,351,000
Wood manufactures .....	4,143,000
Wool manufactures .....	6,700,000
Stone and china ware.....	7,542,000
Fibres .....	18,900,000
Fruits and nuts.....	6,550,000
Glass .....	3,837,000
Furs .....	1,780,000
Jewelry .....	3,523,000
Malt liquors .....	1,507,000
Spirits distilled .....	6,555,000
Oils .....	1,622,000
Wines .....	5,464,000
Toys, dolls, etc.....	2,065,000
Tobacco .....	23,927,000
Raw wool, camel and goat hair, alpaca, etc. ....	39,068,000
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	\$188,956,000

adding fourteen per cent increase for 1907, a total of, say, \$216,000,000.

Here we have \$216,000,000 out of a total of \$332,000,000 collected upon luxuries of the rich, who alone use foreign articles to any extent.

This general statement may and probably will be disputed by agents of foreign manufacturers, claiming that the poor do use several of the articles named to some extent. Some of the wool imported, for instance, may go into inferior cloth used by the poor; so with other articles. But notwith-

standing all that can justly be urged of this nature, the indisputable fact will remain that with trifling, if any, exceptions, these imported articles are used almost exclusively by the rich or well-to-do.

Two articles of domestic production yielded all except two million dollars of the internal taxes, which were, in 1907, \$269,000,000:

Liquors (wines, whisky, and beer) . . .	\$215,000,000
Tobacco . . . . .	52,000,000
	<hr/>
	\$267,000,000

The workman who neither drinks nor smokes is thus virtually free from national taxation either through tariff or internal revenue, except upon sugar, which is the only imported taxed article of general consumption by rich and poor alike. In 1906, this tax yielded \$52,500,000. It is protective, with a view to securing a home supply from the beet-root, and the Secretary of Agriculture recently informed the writer that he hopes to succeed. Last year we manufactured five hundred thousand tons, one fifth of our consumption, and the growth of beets is increasing yearly. A few years should determine the success or failure of this experiment.

The difference between the United States on the one hand and France and Germany on the other is that the former supplies its own food products and taxes chiefly imported luxuries used by the rich (sugar excepted), while the latter must import food products which are consumed by both rich and poor; hence, in France and Germany tariff duties imposed upon food to protect their own agriculturists reach the masses and must be paid by them. For instance, in 1905, Germany imported articles for consumption valued at no less than \$512,000,000. In 1905, France imported food products valued at \$156,000,000.

In 1905 customs duties yielded.....	\$89,000,000
Internal taxes, sugar.....	28,000,000
Internal taxes, tobacco monopoly.....	90,000,000
Internal taxes, matches.....	10,000,000
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	\$217,000,000

All classes consumed these articles; hence, the duties upon them tax the poor.

Britain does not levy duties upon imported grain products, but taxes other articles as follows:

In 1906.

Tobacco .....	\$65,000,000
Tea .....	34,000,000
Sugar .....	31,000,000
Coffee, cocoa, etc.....	3,500,000
Excise (internal) taxes upon whisky and beer .....	147,000,000
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Total .....	\$280,500,000

These articles are consumed by rich and poor; but what we have said in regard to our tariff applies in great part to the British—those who neither smoke nor drink pay little taxation. The tax upon sugar has been reduced one half this year, and Britain does well to tax liquor heavily, for intemperance is her greatest evil; it would be better if the excise taxes were increased, the tobacco tax is already very high. So also with America, if higher taxes can be collected without leading to illicit distillation. It is believed that we can now safely increase the tax upon domestic liquors and tobacco. By all means let the experiment be made, for these are articles hurtful to the people.

Thus does the American tariff, in happy contrast to others, almost exempt the poor and heavily tax the rich, just as it should; for it is they who have the ability to pay as required by the highest economic authority.

We have shown a revenue of \$216,000,000 collected yearly upon the luxuries of the rich, without being seriously felt.

The excited free trader is often found declaiming against these heavy duties, and others of the same class. To his appeals Congress should turn a deaf ear and rather increase than reduce them, not as a protective, but as a revenue measure. That they could be advanced in most cases without materially reducing consumption is highly probable, since the rich will have what is desirable or fashionable regardless of a small increase in cost. The experiment should be made and on no account should the representative, having the interests of the masses at heart, agree to one iota of reduction upon any of these or other luxuries, for in no other way can the wealthy classes so surely be made to pay so great a sum toward the support of the Government.

This is sound and fair policy, for the man who has no more income than sufficient to meet the physical wants of himself and those dependent upon him should be considered as not having ability to pay any taxation whatever, just as the humble homestead is exempt from sale under a mortgage or the small incomes in countries laboring under that burden. Adam Smith's dictum is in these memorable words: "The subjects of every state ought to contribute toward the support of the Government, as nearly as possible, in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state." Every legislator should bear these words in mind. This is the feature of the tariff in which the great mass of our working people is most deeply interested.

Virtually, as we have seen, the working classes of America who neither drink nor smoke are exempt from national taxation, sugar excepted. So are the British, who, however, are still taxed upon tea, coffee, and chocolate. They are vastly better off in this respect than the German working classes, who, in addition, have a tax upon imported food, which also raises the prices of the home-grown food supply.

The next Congress dealing with the tariff will probably be inclined at first to reduce duties all round and perhaps to

abolish some, but its first care should be to maintain present duties, and even in some cases to increase them, upon all articles used almost exclusively by the rich, and this not for protection, but for revenue, not drawn from the workers but from the rich. That is the first and prime duty of Congress. We should not forget that Government expenditures have increased enormously in recent years and that additional revenue is required.

Its second duty is to reduce duties greatly upon manufactured articles and to abolish entirely those no longer needed.

The writer has coöperated in making several reductions as steel manufacturers become able to bear reductions. To-day they need no protection, unless perhaps in some new specialties unknown to the writer, because steel is now produced cheaper here than anywhere else, notwithstanding the higher wages paid per man. Not a ton of steel is produced in the world at as small an outlay for labor as in our own country. Our coke, coal, and iron ores are much cheaper, because more easily obtained and transported, and our output per man is so much greater, owing chiefly to the large standardized orders obtainable only upon our continent; the specialized rolling mills; machinery kept weeks upon uniform shapes without change of rolls, and several other advantages. Britain and Germany are the only important steel manufacturing nations other than ourselves. I am assured by one who has recently examined the matter that he found even in Germany to-day that the cost per ton for labor was greater than with us, unusually high as our wages are at present. Were there free trade in iron and steel between America and Europe, a few orders might go abroad at times when American mills were fully occupied and high prices prevailed, and this would be advantageous to our country; but if these shipments amounted to much, prices would rise in Europe, and prevent further exports to our market. The United States made last year more steel (over 23,000,000 tons) than Germany, Britain, France, and Belgium combined. New steel works are under construction which



will produce enough to enable her to make more than the whole world besides. This she will do within five years, probably within three. The day has passed when any foreign country can seriously affect our steel manufactures, tariff or no tariff. The Republic has become the home of steel, and this is the age of steel. It may probably be found that there exists the small manufacturer of some specialty in steel which still needs a measure of protection. The writer hopes, if such there be, the committee will give patient attention to such cases. It is better to err on the side of giving these too much, rather than too little, support. Every enterprise of this kind should be fostered. The writer speaks only of the ordinary articles and forms of steel as being able to stand without protection. He hopes there are to-day pioneers in several lines requiring protection which will be generously given temporarily. The committee should welcome such special cases.

There are several features in our tariff affecting the masses of our people which should be carefully looked into, since they subject these to the increased cost of some of the necessities of life. I notice three charges often made against our present tariff.

The first in importance relates to illuminating oils. It is charged that Congress refused to place a duty upon these; but by some means a bill was passed which provided that upon oil from any country that taxed American oils a corresponding tax would be collected in America upon oils imported from such country. Russia then taxed American oils, and our oil producers enjoy protection from Russian oils, and the ludicrous spectacle is seen of each country protecting itself from importations of oil from the other. If all this be true, this is clearly not a case of genuine protection. It gives to each interest a monopoly of oil in its own country.

It is said, but how truly the writer does not know, that although the Russian and American companies had agreed between themselves not to invade each other's country, nevertheless, oils found their way in through sales made by

these companies to other parties and that existing legislation was therefore secured by the oil companies in Russia and America. It is such and other kindred charges published throughout the country that make the tariff the object of attack as a vehicle of corruption. No duty is more imperative upon the part of the honest upholders of the principle of protection when needed than to purge the next tariff of every trace of other than open and honest legislation, clearly intended to shield the masses from unfair taxation and thus promote national prosperity. The oil-producers, like the steel-producers, of our country, need no protection from the products of other lands, and the retaliatory act should be promptly repealed.

The second charge often presented relates to the thread industry. The leading producers in Britain and America have consolidated, and it is said virtually fixed prices. The present duty enables the home producer to maintain higher prices here, while its abolition would enable the continental manufacturers to export their product to America in competition with the consolidation, which has now a monopoly, except that there is one cotton-thread producer still in our country ostensibly outside of the combination. When international combinations like this appear, or when any of our manufacturers enter into international agreements, it may be found necessary in the future to provide that the Interstate Commission should have control. It is clear there must be some control or the consumer will be seriously affected. The labor in the mills of America is higher paid, and thread actually costs more per spool, I am told, than in Scotland, differing in this respect from steel rails. On the other hand, home manufactures have cheaper cotton. The thread combination needs careful scrutiny. No doubt the Congressional committee will give this due attention and listen to the "other side" of the question, for there are always two sides.

Foreign cutlery is the third and last subject, often in evidence. The duties upon this class of articles are complained of as being far too high, but I take it that imported cutlery is used exclusively by the rich. The tariff committee

should maintain present high duties upon the extra fine and costly ware, but fix much lower duties upon the ordinary grades used by the masses, just as the present tariff admits sewing and darning-needles free, although other kinds are taxed. There seems no reason, however, why steel for cutlery should not be purchased cheaper in our country than abroad, nor why our home manufacturers should not supply our home demands for cutlery.

The Republican party has nursed home industries, supported, however, as we have seen, by an element in the Democratic party which we sober protectionists may be excused for considering the wiser element of that party. Hence the tariff has become a national, not a party, issue.

That the value of our manufactures in 1905, \$16,866,706,985 (£3,373,000,000), exceeds those of our closest competitor, Britain, three times over, and that our exports of these in 1906 was \$686,000,000, and of crude materials for use in manufacturing \$510,000,000, is ample vindication of the protective policy of the past.

In our day a different duty devolves upon our party and its Democratic protectionist allies. The infant we have nursed approaches the day when it should be weaned from tariff milk and fed upon the stronger food of free competition. It needs little, if any more nursing, but the change should not be made abruptly. It is better to err upon the safe side, if we err at all; but he is the best of protectionists who corrects all faults as they are revealed and positively declines to subject the nation to protection in any branch where it is not clearly needed, affording protection always with the resolve that it shall be temporary. A class of excellent citizens has arisen who really see in the tariff one of the chief causes of national demoralization; not a few consider it should be the leading issue in a Presidential campaign. The writer has personal friends on both sides—those who see in it the chief source of political evil, and those who think it the country's salvation. For neither view is there sound foundation to-day, for protection is no longer the vital issue it was; but the first class will have something to

rest their contentions upon, however, if there be continued upon the statute-books duties and provisions manifestly out of date. All such and everything of a dubious character in our tariff legislation, our party, in the forthcoming revision as the legitimate protection of the true protective policy, should boldly sweep away.

In conclusion, a "tariff for protection," which was the issue forty years ago, should now give place to a "tariff for revenue," and therefore the strict maintenance of the present duties upon foreign luxuries paid by the rich. The present tariff rightfully exempts the masses of the people from almost all national taxation, because they have not "the ability to pay," as required by Adam Smith, the greatest economic authority.

The writer, having often been classed with the "robber tariff barons," may probably be proclaimed as a convert to new views since he retired from manufacturing, but his associates know better, and many a foreign manufacturer could tell of the prophecy with which he has so often startled them; namely that in a short time America would become the leading manufacturer and foremost apostle of free trade, while their own countries would be discussing whether or not to put up the barriers. Britain to-day is seriously considering this very question.

The writer has not changed one iota since he first formed a clear and definite view in regard to protection. For new countries possessed of natural but undeveloped resources it is the only policy available, hence we see Canada, Australia, and New Zealand all adopting it, even against their motherland, to whom they are indebted for protection from enemies, a seemingly most ungrateful return, could they not plead that it is indispensable for the development of their own resources.

The question assumes another form when old and fully developed countries like Britain, after having fully tested their capacity to produce any article in competition with other lands, are considering whether to handicap outside competition. This is not a case of temporary protection

through duties upon competing imports, but one which opens the question whether it is economically best to use the domestic product even at greater cost. The reply seems to be: If it involve the loss of a home supply of an article essential for the national safety, yes; if not, no. This is also true Adam Smith doctrine. Each case must be judged on its merits from that point of view.

There is no occasion for haste or for any revolutionary step in coming tariff legislation. It is better to go a little too slow than a little too fast. In the writer's opinion, the revision of the tariff could to-day safely and advantageously be made a radical one upon the lines suggested; but if Congress, in deference to the timid manufacturer, "whom we have always with us," thinks it prudent not to disturb his dreams unduly, and only halves present duties upon some articles, and abolishes them entirely upon others—always provided it guards zealously the present duties upon the luxuries of the rich for revenue,—the writer will be thankful and philosophic as usual, because one step in the right direction will have been taken and he knows the final step must come before long, the sooner the better.

Just as the Republic has won supremacy in steel, and can to-day, even during this temporary world-wide depression, send it profitably to every free market in the world in successful competition with all other manufacturers, so is she to win this proud position in one field of industry after another, her enormous standardized home market being one of the chief elements of her conquering power. Many foreign luxuries will still be imported, but these should yield revenue paid by the rich consumer.

The writer is confident that this prophecy will soon be fulfilled, for nothing can keep the Republic from speedily dwarfing all other nations industrially, if she only frowns upon great navies and increased armies and continues to tread the paths of peace, following the truly American policy of the fathers.

**Protection for Protection.**

Joy E. Morgan.

If protection is admitted as a desirable commercial policy, it should be safeguarded by publicity similar to that now required of many public service corporations. That there has been much crookedness in connection with the tariff is beyond dispute. Honest enterprises requiring protection and the general public should be shielded from the greed of unscrupulous corporations, who are willing to spend prodigious amounts of money and to sacrifice principle and law to destroy their competitors and plunder the public.

We have well defined ideas as to the public nature of public service corporations. Full publicity of accounts and the regulation of rates is everywhere regarded as one of the prerogatives and duties of the government.

The protection given to favored industries is in the nature of a public franchise. The public has a direct financial interest in every protected enterprise and is therefore entitled to complete information regarding the condition of the business. Protected interests should be required to make annual reports after the manner of the railroad, gas, and insurance companies. The people have a right to know the details of the system, the expense of operation, the rate of dividends, the burdens the public has assumed in giving the protection, and the benefits it has received because of the assumption of these burdens.

The practical question for Congress is to discriminate between worthy and unworthy applicants for protection. How much protection is needed? How much is paid for legal expenses? What competition is keenest, domestic or foreign? Would protection, if given, enable the larger industrial enterprises to destroy their smaller competitors? When will the enterprise become self-supporting? When it is able to stand alone, will it return to the people the cost of protection in its infancy? Does the return justify the outlay? If there are protected enterprises that are unprofitable to the public they should be weeded out.

The public ought not to be taxed perpetually for any kind of business that will never justify the expenditure. Indirect benefits, such as greater independence and security in time of war, should be considered in this estimate, but thoro investigation should be made in all cases.

Legislation should be based on information compiled by disinterested specialists paid by the government and not by corporations having a direct pecuniary interest therein. Often the tariff is made not only to *protect* the American manufacturer, but in addition to shield him in the extortion of exorbitant prices for his products. The work of framing a tariff bill is a Herculean task. The methods of gaining information are inadequate and often unreliable. Consequently, unscrupulous corporations are frequently able so to misrepresent the facts as to induce Congress to protect industries that are abundantly able to compete with foreign enterprises either at home or abroad. The following illustration used by Mr. Cox and printed on page 453 of the Congressional Record for March 30, 1909, is a case in point:

I want to call attention to another witness whose testimony has not been given on this floor. He appeared as the representative of the roller bearing companies. Notwithstanding the duty is now 50 per cent, this gentleman asked for 10 per cent more. On this subject he said:

The following list gives the prices at which the bearings are being sold in England and Germany and at which they are being sold in the United States, the article in each case being identically the same shape, size, weight, design, material used, and construction, and alike in every particular:

	England.	Germany.	United States.
Price of bearings.....	\$1.44	\$1.50	\$2.25
Do .....	1.38	1.44	2.13
Do .....	1.62	1.68	2.49
Do .....	2.04	1.96	2.92
Do .....	3.84	3.84	5.76

He then made two remarkable statements: That if tariff conditions caused the slightest reduction in prices, his concern would go out of business; and, second, that if the import duty was not satisfactory he would cut the wages of his men—the same old bluff. If to the table this witness submits you add the present duty of 50 per cent on the foreign articles, you have these figures of selling prices on English, German, and American goods:

	England.	Germany.	United States.
Price of bearings.....	\$2.16	\$2.25	\$2.25
Do .....	2.07	2.16	2.13
Do .....	2.43	2.52	2.49
Do .....	3.06	2.94	2.92
Do .....	5.76	5.76	5.76

Note how ingeniously it works out and how closely the American and foreign prices have been brought together. Now, for the truth. I have in my hand the prices at which a large automobile concern buys American and foreign ball bearings. Here are the figures on different sizes:

	American.	Foreign.
Price of bearings .....	\$1.17	\$1.90
Do .....	1.33	2.10
Do .....	2.20	3.60
Do .....	1.78	2.76
Do .....	3.70	5.80
Do .....	3.37	5.50

In the table which the witness presents there is worked out an average difference in selling price on each bearing of 1 3-5 cents. As a matter of fact, he is deriving from the authentic table made from the prices of the American manufacturer which I have quoted a differential in sale of almost \$1 per bearing, or, to be exact, the difference between \$3.11, the foreign average, and \$2.26, the American average.

No intelligent people should tolerate national legislation based upon information so uncertain as that given gratuitously by the parties whose interests the legislation is designed to protect.





## AFFIRMATIVE DISCUSSION

**Nineteenth Century. 64: 181-5. August, 1908.**

**Roman Empire. A Lesson in the Effects of Free Trade.**

**Prince di Teano.**

Perhaps many still ignore the fact that a condition of International Free Trade necessarily followed the constitution of the Roman World-Empire. Before Rome had extended her authority over all the Mediterranean world, no real commercial barriers existed between nations in the sense in which we understand them nowadays; nevertheless effective barriers were created by the difficulty of communications, the unsafety of commercial high roads, the state of continuous warfare between tribes and nations, and the instinctive reluctance of governments to permit the free exportation of food-stuffs. The danger of famine was one of the great anxieties of those troublous times. The gradual formation of the Roman Empire, embracing as it did, one after the other, the rich provinces which encircle the Mediterranean basin, finally put an end to the aforesaid state of affairs. From the day in which Egypt passed under the sceptre of Caesar Augustus, the glorious Pax Romana held sway over all the ancient world from the mouth of the Nile to the Straits of Gibraltar, overthrowing all barriers and opening in the heart of the Empire the easiest and most economical highway of commerce, the open sea.

Rome and Italy, like London and Great Britain of the present day, became the great centre of attraction of the Empire, the centre where the greatest wealth accumulated, and towards which the world's produce naturally converged.

Italy, completely destitute of mineral wealth, has always

been, since the beginning of Roman expansion, a country essentially agricultural, peopled by different races of sturdy and thrifty peasants. These knew how to extract a meagre pittance from a soil which, with the exception of a few favoured regions, answers but ungratefully to the care and toil lavished on it. Only a few very fertile provinces can bear comparison with the rich plains of Gaul or the wondrous Nile valley; the greater part of Italy is poor and rocky, incapable of resisting the unrestricted competition of richer countries.

When therefore the Roman statesmen opened, through conquest, all the ways of the world, and demolished the natural barriers which had till then protected Italic agriculture, the latter found itself exposed without defence to the merciless competition of other countries. First came the plains of Sicily, considered at one time the granary of the Roman Republic; then the conquest of Gaul opened Italy to the competition of Gallic industry and agriculture; and, lastly, the inexhaustible richness of the Nile valley dealt the death-blow to the patient industry of the poor and ignorant Italian peasant.

Nowadays Egypt, thanks to the wise British administration, which reminds one of the highest and most glorious traditions of ancient Rome, has shown again how much wealth it can produce, and what a huge margin it leaves to free exportation.

The economical problems created by the absorption of Egypt into the Empire acquired, moreover, an exceedingly serious character by the co-operation of a very powerful political factor. The lords of Rome, for well-known reasons which I omit, inaugurated that unhappy system of distributing gratuitously a daily ration of bread to the teeming thousands of the capital. From this deplorable policy there grew up a numerous population of parasites who, without producing anything, absorbed annually an enormous amount of food-stuffs. The evil became intensified through the fact that Rome, as the administrative centre of the Empire and the seat of the Imperial Court, attracted all the wealthiest

and most ambitious men of the time, who, in hopes of popularity or Imperial favour, squandered vast sums of money in worthless enterprises and lavish generosity.

Rome, whose population at one moment surpassed a million inhabitants, became therefore a gigantic consumer who ought to have constituted a great source of wealth to Italian agriculture. On the other hand, the Imperial treasury through the free distribution of such vast amounts of food-stuffs was overloaded by a financial charge which in times of trouble and distress became one of its most serious economical problems, and any possible economy would have been readily applied.

If therefore the peasants had been able to offer their produce on the market of Rome at a price inferior to that of Sicily, Gaul or Egypt, no doubt the emperors, or rather the administrators of the Imperial treasury, would have given preference to the cheaper Italian article.

It so happened instead that the government of Rome only partially understood the economical phenomenon produced by universal Free Trade, and ignored completely its causes and its possible remedies. Already in the time of the Gracchi, before the fall of the Roman Republic, the effects of the agricultural crisis, brought about by the competition of Sicily, had given birth to many painful consequences. The great agitation with which the name of the Gracchi is closely bound gives us the first safe indication of the economical catastrophe under which Italy was to fall.

The remedies tried in those circumstances by the leaders of the Roman people were of no avail, because they failed to grasp the real causes of the evil. The crisis under the Empire became ever more acute, and in Italy agriculture slowly died out as an unremunerative industry; those fields from which the revenue was poor and uncertain—that is, the greater part of Italy—were gradually abandoned. Agriculture survived only in relatively happy conditions in some restricted areas, like the valley of the Po and Campania, for instance, where the exceptional richness of the soil permitted the continuation of agriculture even with greatly diminished

profits. The special system of cultivation, the minute subdivision of property and the conservative tenacity of a hard-working population saved those privileged regions from the ruin which extinguished all life in the rest of the Peninsula.

Nobody thought of defending the native industry, for Italy was but a province of the Empire extending from the banks of the Euphrates to the Atlantic coast. Reasons of political opportunism, selfish hand-to-mouth principles of internal policy, seemed more urgent and impelling; the highest economical interests of our unhappy country were sacrificed to these principles, and Italy, deprived of other resources, was fatally condemned to misery and depopulation.

The process was slow but relentless, it lasted several centuries, but in the end the country was transformed into a desert; some of the peasants emigrated, others became shepherds or slaves, and the rest died of hunger. The plains, once covered with stretches of golden grain, became overrun by brambles and rank weeds, or sank back into marshes teeming with game. The greater part of the country was absorbed into the immense landed estates of the wealthy Roman capitalists, and formed those celebrated *latifundia* of the later Roman empire.

Through the erroneous interpretation of historical phenomena the effects were mistaken for the causes, and succeeding generations formulated that celebrated sophism; *Latifundia Italiam perdidere*.

In conclusion: Italy was ruined economically and abandoned by her inhabitants principally through the formation of the Roman Empire, and in consequence of the greatest experiment of Free Trade in the history of mankind.

Without entering here into greater details it is sufficient to add that the crisis ruined Sicily likewise, and inflicted heavy losses even on Gaul and Spain. All the weaker industries succumbed under the free competition of those countries where the same goods could be produced at a lower price. It so happened that the government of the Empire, by neglecting the real remedies for a problem of such vital importance, permitted, and even encouraged, the

extinction of the principal sources of national wealth. This contributed in a very high degree to the great political catastrophe of the fourth and fifth centuries, when the Barbarians overthrew the Empire.

If the Roman statesmen had been able to foresee the disaster and to understand its principal causes, and if they had tried to protect the agricultural industry on which alone Italy's power relied, they might have saved their country. By giving means of existence to a numerous population of sturdy peasants they could have considerably modified the course of events during the last centuries of the Empire and through the Middle Ages.

The singular consequence of this state of affairs was that Italy began to pick up her ancient material prosperity only after the Empire she had founded went to pieces. Then the natural barriers between nations were formed again by the splitting up of the Roman World, and Egypt ceased to paralyse Italy with her ruinous competition. Then alone with the rise of prices agriculture slowly revived all through the Peninsula, more land came under cultivation, and the inhabitants gradually became more numerous in the poorer parts of the country. But an evil which is the consequence of an error lasting through centuries can only be wiped out through many more centuries of slow and steady evolution.

Italy, as is proved by the present state of the country round Rome, in Sicily and elsewhere, principally in the south of the Peninsula, has not yet completely revived—even after seventeen centuries—from the pernicious effects of Free Trade under Imperial Rome. The Bills voted by the Italian Parliament in these last few years for the agricultural improvement of the Campagna Romana are a plucky experiment of the twentieth century to remedy the evil consequences of an economical error of the builders of the Roman Empire.

I need not add any further comments. Every Englishman who has had the leisure to peruse this brief and incomplete description of one of the most important phases of the world's history, will know how to draw from it those con-

clusions most useful for the material and moral development of his great country.

Forum. 30: 430-5. December, 1900.

Economic Basis of the Protective System. John P. Young.

Protection has an economic basis. Its chief function is to eliminate waste of energy and wealth. In assisting in the creation of new industries in countries adapted to them it performs this function by conserving the former and preventing the dissipation of the latter. No refinement of logic can obscure the fact that it must be cheaper to manufacture near the spot where the raw material and the food-stuffs for subsisting operatives can be obtained than in countries remote from where the one and the other are produced. If in the past it has appeared that countries deficient in raw materials and foodstuffs were able to manufacture more cheaply than those well provided with raw and food products, it was because the countries with established industries had acquired skill and capital. These are purely artificial advantages, and no nation can have a monopoly of them. Application in new countries speedily results in the acquisition of the former and the amassing of the latter. The experience of the United States demonstrates this conclusively. The skill and wealth once having been acquired, there can be no question that their application on the spot of production will result in an enormous saving of human energy and of that great source of energy—coal.

It is obvious that there is but one method by which a country deficient in raw materials and food stuffs can hope to compete with a rival whose inhabitants possess abundant capital, are equally skillful, and who have in addition almost inexhaustible supplies of minerals and a practically unlimited capacity for the creation of raw and food products. That method is to diminish the wages of workers to a point below that for which the workers in the more favored country will consent to work. But success achieved by such means

would not disguise the wastefulness of the process of unnecessarily hauling raw materials three thousand or more miles to be manufactured. It could not conceal the fact that this unnecessary transportation involves the expenditure of a vast quantity of human energy and the dissipation of enormous quantities of coal.

I believe that the facts which I have enumerated will ultimately receive general recognition, and that the prime importance of maintaining a system which will prevent the wasteful results of unrestricted competition will be admitted. When it is clearly seen that the attempt to secure temporary cheapness is not only attended with immediate wastefulness, but that it also threatens permanent dearth by hastening the extinction of the world's supply of mineral fuel, it will be no longer possible for economists to magnify the value of external trade. The trouble with Cobdenism is that it unduly extols trade. In any economic system the distributor must play an important part; but his rôle is, after all, only a secondary one. No scheme which elevates the middleman above the producer can be beneficial to mankind. Not all middlemen are useless; but Cobdenism does not distinguish between the useful and the useless one. Its theory is that the unnecessary middleman performs as useful a function as the one really needed to forward the work of distributing.

The Cobdenite takes no note of the waste incurred. He fails to consider that when competition is carried to extremes it makes impossible the achievement of its object. He ignores the fact that the creation of an unnecessary transportation army and the augmentation of the number of useless middlemen of other kinds militate against real cheapness. He notes that production is on a greater scale than formerly, and he attributes it wholly to the effects of competition. He refuses to take into account that the hauling of a bushel of wheat from the plains of Dakota or the fertile valleys of California does not add to its value, although the consumer in England is obliged to pay twice as much for it as it is worth at the place of production, or that if it were consumed



in feeding men employed in gainful occupations near the fields in which it was raised it would be conferring a greater benefit than it does at present. In short, he refuses to see that there is no economic excuse for the gathering of great masses of people in contracted areas destitute of resources sufficient to maintain them, and that there would be a positive economic gain by their dispersion.

In my opinion, the demonstration is conclusive that the free-trade policy, which stands for absolutely unrestricted international competition, if it could win, would result in continuous waste and ultimate dearth; while, on the other hand, it is equally plain that protection, by bringing producer and consumer together, is an eliminator of waste. Therefore, the latter is the system which must finally prevail.

#### **Home Market Club.**

Republican Presidents on Protection.

*Abraham Lincoln*

When we buy manufactured goods abroad we get the goods and the foreigner gets the money. When we buy manufactured goods at home we get both the goods and the money.

*U. S. Grant*

The American system of locating manufactories next to the plow and pasture has produced a result noticable by the intelligent portion of all commercial nations.

*Rutherford B. Hayes*

The President of the United States of necessity owes his election to office to the suffrage and zealous labors of a political party, the members of which cherish with ardor, and regard as of essential importance, the principles of their party organization. But he should strive to be always mindful of the fact that he serves his party best who serves his country best.

*James A. Garfield*

Our manufactures are rapidly making us industrially independent, and are opening to capital and labor new and profitable fields of employment. Their steady and healthy growth should be maintained.

*Benjamin H. Harrison*

I believe that the protective system has been a mighty instrument for the development of our national wealth and a most powerful agency in protecting the homes of our workingmen.

*William McKinley*

To increase production here, diversify our productive enterprises, enlarge the field and increase the demand for American workmen; what American can oppose these worthy and patriotic objects?

*Theodore Roosevelt*

Every class of our people has benefited by the protective tariff. During the last few years the merchant has seen the export trade of this country grow faster than ever in our previous history. The manufacturer could not keep his factory running if it were not for the protective tariff. The purchasing power of the average wage received by the wage-worker has grown faster than the cost of living, and this in spite of the continual shortening of working hours. The accumulated savings of the workingmen of the country, as shown by the deposits in the savings banks, have increased by leaps and bounds.

The farmer has benefited quite as much as the manufacturer, the merchant and the wage-worker. American farmers have prospered because the growth of their market has kept pace with the growth of their farms. The men on those six million farms receive from the protective tariff what they most need, and that is the best of all possible markets.

So it is as between the capitalist and the wage-worker. Here and there there may be an unequal sharing as between the two in the benefits that have come by protection; but benefits have come to both; and a reversal in the policy would mean damage to both; and while the damage would be heavy to all, it would be the heaviest, and it would fall the soonest, upon those who are paid in the form of wages each week or each month for that week's or that month's work. Conditions change, and the laws must be modified from time to time to fit new exigencies. But the genuine underlying principle of protection, as it has been embodied in all but one of the American tariff laws for the last forty years, has worked out results so beneficial, so evenly and widely spread, so advantageous alike to farmers and capitalists and workmen, to commerce and trade of every kind that the American people, if they show their usual practical business sense, will insist when these laws are modified that they shall be modified with the utmost care and conservatism, and by the friends and not the enemies of the protective system. They cannot afford to trust the modification to those who treat protection and robbery as synonymous terms.]

*William H. Taft*

The present business system of the country rests on the protective tariff and any attempt to change it to a free trade basis will certainly lead to disaster.

Anything that makes capital idle, or which reduces or destroys it, must reduce both wages and the opportunity to earn wages.

The high cost of living, of which 50 per cent. is consumed in food, 25 per cent. in clothing and 25 per cent. in rent and fuel, has not been produced by the tariff, because the tariff has remained the same while the increases have gone on. It is due to change of conditions the world over. Living has increased everywhere in cost—in countries where there is free trade and in countries where there is protection—and that increase has been chiefly seen in the cost of

food products. In other words, we have had to pay more for the products of the farmer, for meat, for grain, for everything that enters into food. Now, certainly no one will contend that protection has increased the cost of food in this country, when the fact is that we have been the greatest exporters of food products in the world. It is only that the demand has increased beyond the supply, that the farm lands have not been opened as rapidly as the population and the demand has increased. . . . We have a much higher standard of living in this country than they have abroad, and this has been made possible by higher income for the workingman, the farmer, and all classes. Higher wages have been made possible by the encouragement of diversified industries, built up and fostered by the tariff.

**Gunton's Magazine. 23: 465-75. December, 1902.**

#### Protection a National Doctrine.

For more than half a century New England has been the special beneficiary of protection; almost every New England industry has been the special object of protection; but, unfortunately, in New England protection appears to have been treated more as a special privilege than as a national policy. New England manufacturers have done much to encourage, not to say justify, the enemies of protection in their persistent announcement that a protective tariff is business favoritism by political methods. They are very eager for protection for what they have to sell, but they want free trade for what they have to buy. They want protection for manufactured products, but free trade for raw material; in short, they want protection for the industries of New England and free trade for the industries of the South and West. The woolen manufacturers want high protective duty on woolens, but free wool. The iron and steel manufacturers want protection for iron, steel and metal products, but free iron ore.

That is not protection; it is favoritism. It is using the

government to aid the business of particular sections. Such a use of tariff schedules is a travesty on the idea of protection. Protection is not a scheme for dealing out personal or local favors; it is a principle of national development. The object of protection is not to make somebody rich, or to give some group or locality an advantage over others, but it is to create the conditions of national advancement and prosperity. The object of protection is to vouchsafe to the people of the United States all the stimulus and opportunity that the American market will afford for industrial experimentation and development. It is no less, but if anything more, important to the national welfare that this stimulating inducement should exist in the South and West and in the East. If protection is worth considering and applying at all, it is as a national policy based upon sound political philosophy. From no other point of view is it worth considering. Protection had better be abandoned altogether than used for dealing out special favors.

This prevalent habit of regarding protection as a scheme of dispensing favors, instead of a principle of public policy, is responsible for much of the business-disturbing agitation with which the nation is periodically afflicted. From this point of view the tariff is naturally regarded as a matter of personal or local interest, instead of impersonal national policy. This view tends to stimulate narrow, selfish and altogether unpatriotic and uneconomic treatment of the subject; it leads to a system of barter and bargain in the making of schedules. Under this idea of the subject one group of producers is ready to barter away the interests of another or of the nation to secure favors for themselves. The raw-material producers of the South and West become suspicious of the protection afforded the manufacturers of the East, and the eastern manufacturers are correspondingly willing to sacrifice the interests of the South and West for an advantage to themselves.

This is the basis upon which business-disturbing tariff agitations chiefly rest. The New England manufacturers demand protection for their products, but clamor for free

raw material. Duty on raw materials, they say, prevents them from making inroads upon foreign markets. If they could only have free wool, free hides, free iron ore, free tin, and free everything that they use in manufacture, they could successfully compete in foreign markets; but they forget, or fail to see, that if they buy all their so-called raw materials from foreigners they will destroy much of the home market for their products. If the wool, iron and other raw materials are to be imported, then the labor and capital employed in producing these commodities will be dislocated and much of our domestic consumption and industrial prosperity destroyed. This altogether mistaken and narrowly selfish view entertained by our eastern manufacturers, particularly in New England, was one of the chief causes of the industrial wreck of 1893. There is a certain class who are free-traders by conviction and tradition, who are constantly alert for every opportunity to propagate what they believe to be sound political doctrine. To this there can be no legitimate objection; but those who believe in protection and expect to benefit by it, and yet are ready to reduce it to this bargain-counter basis, are entitled to no such respect.

The agitation for free trade during the latter 80's and early 90's, by the propaganda of abstract doctrine, could never have compassed the election of Mr. Cleveland with his anti-tariff policy had it not been for the support and the backing of what appeared to be the practical business men and manufacturers who lent themselves to the anti-tariff crusade under the plea of free raw materials. They succeeded in getting free raw materials, but they also destroyed every opportunity to use any raw materials. In trying to secure a benefit for themselves at the expense of others, Samson-like, they pulled down the whole edifice, only to find themselves involved in the debris of an industrial catastrophe.

Much the same thing is going on now that occurred a dozen years ago. In 1902, as in 1892, the cry is being raised for a New England tariff; namely, protection for what New England sells and free trade for what it buys; and the ad-

vocates of "tariff reform" (which means tariff destruction) are again making the most of this plea, insisting that the manufacturers want tariff revision. This movement is not yet strong enough to force a successful political issue for a purely revenue tariff, but it is taking the more insidious form of reciprocity.

Reciprocity is only another name for a scheme to dicker away the American market by special bargain instead of by general policy. It is a scheme for introducing free trade in spots by special bargains—a scheme for sacrificing one industry for the benefit of another. This fits in well enough with the free trade idea, because from that point of view every addition to the free list, no matter how accomplished, is so much net gain toward free trade; enough of it would destroy the whole protective system. The influence of this is to undermine the economic validity of the entire protective policy. It practically says to the business interests of the country: If you want free raw materials, or want access to any particular foreign market, lobby in Congress for a reciprocity treaty which shall sacrifice some industry for your benefit. And it practically says that if you will spend money enough in the lobby you can buy the entry into any market you desire. On this plan one set of American industries becomes pitted against another set for sacrifice, instead of all being united for a policy which shall be beneficial to the whole country. Thus we have a certain group of manufacturers asking for a Cuban treaty which shall sacrifice the tobacco and sugar industries in order that their goods may have easy entry into Cuba. The manufacturers of agricultural implements of the West are willing and eager to sacrifice the knitting goods manufacturers of the East for their easy entry into France; and so on. Under the impression that this is a liberal progressive policy, the administration is favoring if not definitely committing itself to this bartering away of one American industry for the benefit of another, in the name of reciprocity.

This is all wrong. If protection is a sound policy, then it should and must be a national doctrine. It should be

treated as a permanent political principle, that whatever is worth having is worth protecting. The thing most of all worth having in this country, because it is the basis of all else, is business prosperity and industrial development. The one thing indispensable to the national development of industry is opportunity. This does not mean merely to give permission for a free-handed scramble with the world. Opportunity means possibility. The possibility for the development of industry in its infinite variety of forms means a market. There is but one market that we can give to American capital, and that is the American market, which is the best in the world, and we can offer it as an inducing opportunity for capital; not as a personal privilege or favoritism, but as a general inducement to exploit and diversify the economic possibilities of the nation, and thereby stimulate the social possibilities of the people.

Foreign markets are desirable, but only as an incident to domestic progress. The home market is the place for experimentation and progress of industrial methods and accomplishment, and it is the best place. It is here, if at all, that we must develop our industrial superiority over other nations; it is important, therefore, to our very growth as a nation that we must protect this great opportunity as the field for our economic experimentation. Foreign markets are of secondary interest, because they are of secondary value, economically and commercially. Domestic production and consumption contribute more to the civilization and growth of the nation than foreign trade can ever do, because, besides having all the profits and wages earned and expended at home, it affords the industrial and social experience out of which greater development and national growth alone can come. Any foreign trade that is secured by lowering home conditions or by the sacrifice of a home industry is an injury to the nation. The cheapness by which we shall undersell foreigners abroad should and must come, not through lowering our social standard at home, nor by the sacrifice of any domestic industry, but by the greater



economy secured through our higher wage level, inventive intelligence and superior methods.

Reciprocity, especially as now advocated, is a direct attack upon the protective principle and policy. It is an attempt to do, by special bargain with some industries, what those who are advocating it would like to do with all, namely, destroy protection. It proposes to sacrifice certain domestic interests to give certain other industries easy entrance to Cuba. Other industries are to be sacrificed, that certain industries may get easy access to Canada; and again others, that some special products may find access to France, and to Germany, and so on. In each case American industry is sacrificed, and so one by one domestic industries are to be stricken down. Of course this is an ingenious way of enlarging the free list and paring away the protective policy. If it could continue, it would soon have free trade applied to a sufficiently large number of industries so that protection to the rest would not be worth while, and in fact could not be maintained.

Such a policy is neither good economics, good statesmanship, nor even good politics. There is a large number of honest people who are caught by it, just as the fly is inveigled by the spider, but the real advocates of this reciprocity proposition are those who seek to destroy the protective system because they do not believe in it. They are free-traders by conviction. They are honest in their desire to destroy protection, but they are urging reciprocity as a sneak method of catching those whose protection is based more on personal interest than economic and political principle.

Moreover, reciprocity is bad policy because it will tend to disturb the harmony of our political relations with foreign countries. It is unnecessary to say that at bottom the foreign policy of all modern nations now arises from an industrial and commercial motive; it once was mere dynastic authority, but with the development of industrialism the motive has been transferred to business advantage. The hungry struggles of the different nations in China are not

merely to exercise authority in China, but rather to get possession of the Chinese market for trade purposes. That is the object of the diplomatic fencing that is going on regarding the innovation of western civilization in the Orient. Who shall have the market is the great problem, and with no country is the motive clearer than the United States. We have announced that we want no territorial authority in China; we want no "sphere of influence," but we insist upon the open door, which simply means that we shall have the free right to enter that market. Of course, this is a much higher motive than mere territorial aggrandizement by military authority. It is obvious, however, that if we are to retain the frank friendship of foreign nations we must deal with them all fairly regarding their industrial opportunity in the United States. This is the best market in the world, and they know it. Any nation would give more for free entrance to the market of the United States than to have a monopoly of China.

Every reciprocity treaty is a discrimination in favor of some particular nation against others. To the extent that this is carried out, it is sure to create displeasure, and ultimately political animosity. If by some dicker we sacrifice a home industry to let France have a special advantage, say over Germany, for knit goods in the United States, Germany is going to be less cordial in her relations with us. Why should she not?—and vice versa. More than any other nation, we have outgrown militarism; we represent, in the highest form yet developed, industrial civilization, which is preeminently peaceful civilization. Our policy, therefore, should be not merely peaceful in its motive but harmonious and peaceful in its tendency. We are conscious of having the best and therefore the most coveted market in the world, and our policy should be to protect all the opportunities that market affords to our own people, giving encouragement and security to all the efforts that invested capital, genius and superior labor can develop. Our foreign policy should be to admit the outside nations to that market on equal terms; all who can enter the American

market on American conditions should be welcomed on equal terms. Protection should not be in small circles around special industries, but should encircle the nation; it should be high enough adequately to cover the difference in labor cost here against the lowest competing labor cost abroad, not the highest. As a chain is no stronger than its weakest link, protection will adequately protect only when it adequately covers the difference between American labor cost and the lowest competing labor cost abroad.

All who would enter the American market would thus be compelled to pay the equivalent of American wages; what they failed to pay in wages to their labor at home they would have to pay in duty on coming here. This places the competition in the American market upon an economic basis which rests on the American standard of living and civilization. This is sound political science; it is a principle which applies to all countries. The basis of competition in every country should be the social standard of living and labor cost of that country. No nation should ever permit its domestic products to be undersold by foreign products whose cheapness depends upon lower wages and an inferior standard of living. The right of foreign competition to succeed in a domestic market should always be made to depend upon economic superiority, and never upon social inferiority. In other words, superior economic methods and higher productive skill and capacity are the only means by which foreign products should ever be permitted to undersell domestic products in a domestic market. To permit the products of domestic industry to be undersold and the industry destroyed by the products of lower paid labor abroad is as immoral as it is uneconomic; it is permitting pauperism to undermine and destroy civilization, which is a crime against the race.

The same is true of our competition in foreign markets. The only true ethical as well as economic basis on which American capitalists can compete in foreign markets is by the use of superior skill and productive methods; in short, by being able through science and civilization to furnish cheaper and better goods. There is neither economic, ethi-

cal nor political merit in being able to undersell foreign producers in their own market through a special privilege secured by a government dicker.

Moreover, this system of reciprocity is uncertain; it puts business on a political instead of an economic basis. An industry may be greatly stimulated by a reciprocity treaty to the extent that it succeeds in enabling American producers to destroy the industry of another country, until great discontent and political agitation may call for a reversal. In other countries it may create retaliation, and thus act as a boomerang. But if our trade abroad rests upon a purely meritorious competitive economic foundation, it will be permanent and lasting. If, for instance, under our high-wage protective conditions, the demand is specially large to develop the capacity for making locomotives cheaper in the United States than in any other country, then every dollar's worth of foreign trade is a permanent addition, because it is secured without political privilege and through purely economic superiority. Such foreign trade is going to last; it is going to increase; but every attempt to subject our own industries to political barter and give special privileges to certain American industries abroad is introducing into our industrial life uncertainty and disturbance, substituting the exigencies of foreign politics for an economic basis of industry, with a constant motive for political corruption.

One of the most misleading phases of this reciprocity discussion is the so-called sympathy or moral responsibility for other nations, so conspicuously displayed in the case of Cuba. This is not merely unsound; it is maudlin sentiment. The true way to help other nations is not to destroy our own industries in order charitably to buy their products, but on the contrary it is to make the most of our own possibilities, and give others the benefits of our discoveries and superior methods. Charitably to surrender our own markets to the poorer nations is simply to let them drag us down. Progress demands that we should lift them up, and the only way to help lift Cuba and other countries to our own level is to give them the benefit of the superior devices and dis-

coveries resulting from our own experimentation and progress. In the numerous lines in which we have excelled sufficiently to be able to sell products cheaper abroad than they can be produced there with their own cheap labor, we have made discoveries that foreigners can and will adopt, and in doing so they will get an everlasting benefit which will be worth far more to them than the permission to sell in our market and thereby prevent the development of these superior methods, thus perpetuating their own relatively crude and clumsy devices.

The true American policy is the simple straightforward policy: Protect the American market with all its opportunities for the American people; give no special privileges to any foreigners to sell in this country; let all enter on the same plane, namely, by being able to compete on American conditions, which always must involve the payment of the full equivalent of American wages. And let our foreign trade be a natural, wholesome, economic growth, by which American producers shall compete on the sound economic basis of being able to undersell, not by any special privilege but by the superiority of American methods and skill. Such a policy is good ethics, good economics and sound statesmanship.

**Nineteenth Century. 54: 202-15. August, 1903.**

**Free Trade and Protection. M. Maltman Barrie.**

Such, then, is the condition of the worker, a virtual slave, condemned to labour on a subsistence wage. How is that condition to be altered? How is the doom to be evaded? To answer that question we must first ascertain why the worker is in that condition, what is the cause of his economic subjection. The cause lies upon the surface: it is competition. This competition confronts the worker in two forms, firstly, in the form of the labour of his fellows in the labour market, and, secondly, in the form of the finished article, the product of foreign labour, in the product market. How has

the British worker grappled with these evils in the past? How does he propose to grapple with them in the future? And what help, if any, can he look for through Mr. Chamberlain's proposals? The British workman is not open to the charge of excessive perceptiveness, but he *has* at times realised, in a dim sort of way, the first of these evils, and made some spasmodic efforts to remedy it. Some years ago he was very earnest about an Eight Hours Day, and marched with bands and banners to Hyde Park to affirm his devotion to that plan. But, latterly, other toys have attracted his attention; and when he now marches to Hyde Park it is to denounce a Tory peer for not allowing his workmen to manage his business, or to insist on the secular and spiritual rights of the Nonconformist Conscience.

But, even in his advocacy of a shorter labour day, the British worker, or, to be more just, his leaders, display a lack of intelligence that must have surprised everybody who did not know them. Many of these leaders did not understand the proposal to which they had assented, and many more shrank from its logical application. Some advanced it as a plea on behalf of the physical health of the workers, alleging, truly enough, that prolonged labour is physically injurious. And, in order to disarm the hostility of employers and the employing classes, they suggested that the workers, by working harder during the shorter day, would produce as much as in the longer. Others urged it as a philanthropic scheme for enabling the working man to have more opportunities for mental culture and domestic society, and these, also, promised the employers that there would be no diminution of the output. Only a small portion advocated the shortening of the hours of labour as a means of spreading employment amongst a greater number of workers, and even these failed to carry their proposal to its logical end, the only end that is really worth troubling about, that end being, of course, the total absorption of all the surplus labour in the market, so that not one single unemployed man remained. Apparently none of them realised that to stop short of that point is to defeat the whole purpose, and that

any surplus in the labour market, however small, will suffice to give the employers the whip hand and compel the workers to accept a subsistence wage.

But behind the native labour market, which it was the object of the Eight Hours movement to deplete, stands the foreign labour market, from which the native market is being constantly recruited. The number of these recruits is variously estimated, but it is admitted that it is very great, several thousands weekly. And if their number is great, so also is their poverty; so great, indeed, that their compulsory entrance as 'blacklegs' into the British native labour market can only be, after their landing, a question of hours. What has been in the past, and what is still, the attitude of the accredited spokesmen of British labour on this matter? Incredible as it may be, it is nevertheless the fact that the attitude of these gentlemen on this subject was, and is, one either of positive approval or of absolute indifference. Yet, obviously, it would be useless to absorb the present surplus in the native labour market if the stream of labour from the foreign market is to continue to run.

The second form in which competition confronts the British worker, the form namely of the finished article, the product of foreign labour, comes next to be considered. We have seen that, in the interest of the worker, the present surplus in the native labour market must be absorbed by shortening the present labour day, and that all foreign labour must, in the future, be excluded. But of what use will it be to exclude foreign labour if the products of foreign labour are admitted? It is not the foreigner's *labour* that the British employer wants: it is the *product* of his labour. Therefore, so far as the British employer is concerned—and the British consumer stands behind him—the British workman may exclude foreign labour, and legislate his own working day down to zero, if he likes, so long as he admits the finished article. It is quite true, of course, that even then, even with unlimited free imports, *some* actual labour would be required at this end; but the amount of that labour would be so small that a labour day short enough to divide that

labour equally amongst all the workers in the country would be practically impossible of attainment. Only a revolutionary Parliament would enact such a law, and I do not propose nor anticipate an early revolution.

But here, again, the innate conservatism of the British labour leader asserts itself more stubbornly than ever. Even the most enlightened of them, those few who see the necessity of excluding foreign labour, shrink from excluding foreign products. It is a question of religion with them. The exclusion of foreign *labour* is all right, they say, that is trade unionism; but the exclusion of the *products* of foreign labour, that would be an interference with free trade! Some years ago I witnessed a curious incident bearing on this point. A large building in a leading London thoroughfare was being erected. All the outer walls were up, but the woodwork was barely started. At this stage the Society of Carpenters and Joiners, for some reason or other, ordered a strike, and called their members off this particular job, amongst others. I observed the society's 'pickets' for some time, and saw them turn back several 'blacklegs' who wished to go in to work. So far, well. But presently, down the street came, slowly and leisurely, an open lorry laden with ready-made doors and windows, an importation from Sweden. The gates of the works swung slowly on their hinges and the lorry, with its load, passed slowly in. The 'pickets,' who would have broken the head of any Englishman who had gone in that gate to *make* those doors and windows, lifted no finger, uttered no word to prevent the passing of the finished, foreign-made article. To have done so would have been a 'violation of the sacred principle of free trade.'

In striking contrast to the free trade religion of the average British trade unionist leader is the protectionism of the working class in all our Colonies and in the United States of America. These workmen are as ardent trade unionists as are their British fellows; but they are protectionists to a man. The reason for this is, in my opinion, that these Colonists and Americans had the advantage of starting life in practically new countries, under virgin conditions, and



absolutely untrammelled by prepossessions. They were free to judge all questions on their merits, and had a clean slate on which they could write their own unbiassed judgments.

What is free trade? It is free exchange. But we have not got it. We have free imports, with slight exceptions, and taxed exports, with slight exceptions, and all the other nations and our own Colonies have, practically, protection. Free exchange, the absence of all obstacles to commercial intercourse, is, no doubt, the ideal method of exchange from the consumer's point of view; for by it he would obtain his commodities at prices lower than would otherwise be possible. But, with a surplus in the general labour market, free trade is fatal to the producer. If the French silk manufacturer and the British coal-owner agreed to exchange their wares without the intervention of the customs officer, the result would of course be a saving of expense, tantamount to a reduction in the cost, the natural price, of these commodities. But who would be benefited by that, by the non-intervention of the customs officer? Not the sellers of the articles on either side, for the competition of their fellows would prevent them adding an imaginary duty to the cost; and certainly not the actual producers, the French silk weaver and the British collier, if there was, as now, a surplus in their respective labour markets, keeping their wages down to the subsistence point. The only persons who would benefit by the non-intervention of the customs officer would be the idle consumers of the two commodities on both sides of the Channel. These would obtain their commodities at a price lower by the amount of the customs officer's salary and expenses; that is the whole story of free trade.

What, on the other hand, is protection? It is a system by which nations set up barriers at their ports and frontiers against the trade of other nations. The barriers take the form of duties, or taxes, levied on such trade, and are erected for two separate and distinct objects. In some cases the tax is levied for the sake of revenue only; in others for the purpose of wholly or partially excluding from the country commodities which the country can, and wishes, to produce

for itself. The effect of this tax, or customs duty, is, of course, to increase the natural cost of the commodities so taxed, and protection is therefore as obnoxious to the idle consumer as free trade is acceptable. It is true that the natural cost is not the price at which the commodity is always sold, some nations giving their exporters a bounty on some particular exports in order to prevent rival nations from establishing or preserving that particular industry. But speaking generally, the consumer, of course, pays either the customs duties or their equivalent; the equivalent taking the form of higher prices—higher, that is, than he would have to pay if the duty did not exist. So it is quite clear that free trade is the ideal system of exchange so far as the consumer is concerned.

To the merchant who buys and sells, the manufacturer who produces and sells, the carrier and the dealer, free trade is likewise preferable to protection, being more conducive to the expansion of commerce. But to the manufacturer, at least, it is essential that the free trade shall be universal, that he shall not be handicapped in the race by having markets closed against him that are open to his rivals. And if he cannot have general free trade, he would prefer, with all its waste and restrictions, general protection. Whichever it is to be, he asks that it shall be equal all round, a fair field and no favour, so that every man shall obtain such results as his skill and energy deserve.

But to the worker, free trade is, and must be, most disadvantageous; for, under it, the product of his labour is subject to the competition of the whole world. And to the worker in highly civilised and prosperous communities like Great Britain, our own great Colonies and the United States of America, free trade is, or would be, specially disadvantageous, for the competition of the poorer and less civilised races of the earth would tend inevitably to lower his standard of living down to theirs. This fact is clearly recognised on all hands. In South Africa at the present moment proposals to import cheap Asiatic labour are being hotly resisted by the workers there. The importation of

Asiatic labour to work the gold mines of South Africa would infallibly lower the standard of living of the white workers, but it would be free trade. The exclusion of that labour will help to preserve that standard, but it will be rank protection. A 'white Australia' is the watchword of the workers in that country, and the organised Labour party there are resolute on the subject. But it is a flagrant violation of free trade and the very incarnation of protection. At home, amongst ourselves, we see the fact recognised every day. In every trade union in the country the skilled workers object to their work being done by the unskilled. The bricklayer will not allow his labourer to lay a brick, and in other trades similar restrictions prevail. This action, of which I entirely approve, is not adopted in any spirit of hostility to the unskilled workman, but simply to prevent the fall in wages which would inevitably ensue, and which, after a time, would reach the labourer as well as the skilled workman. But to permit the labourer to do skilled work would be free trade, and to deny him that permission is rank protection; yet the permission is refused in every trade union in the three kingdoms. In a word, trade unionism is protection, as every candid and intelligent thinker must acknowledge.

We now come to the argument about producers and consumers, the argument that is considered by the free traders themselves to be their strongest point, especially when addressing working-class audiences. The argument is as follows: The workers are themselves consumers, and, by my own showing, the consumers will have to bear the burden of any customs duty that may be placed on food or other necessary commodities. And not only are the workers consumers, but they are the majority of the consumers, and will, therefore, have to bear the greater part of the burden. Besides which, they are the poorest section of the consumers, and, therefore, the least able to bear the load. This is the great argument of the free traders—their very sheet-anchor. It is used by the most learned of them as well as by the most ignorant, and is the one that confuses the real issue for the workers more frequently and more effectually than any

other, especially when it is garnished with the clap-trap about the big and the little loaf. And I freely admit that it looks and sounds like a quite self-evident proposition. But it is, in fact, a complete fallacy, as I will show.

The interest of the consumer—so runs the argument—is a common interest, and, therefore, must be paramount. The nation is made up of different sections, classes, and occupations, each having its own sectional and separate interests. But all are consumers, and, the whole being greater than the part, the interests of the consumers, as consumers, must be preferred before all others. But the proposition rests on the assumption that all consumers are *equally* interested in consumers' interests, and, as a matter of fact, all consumers are *not* equally interested in consumer's interests. The consumers form two great divisions: firstly, those who are consumers only, and secondly, those who are producers also. The members of the first of these divisions are naturally averse to any proposals—such as protection and the shortening of the labour day—that will increase wages and thereby raise the price of produce. As non-producers (and therefore non-wage receivers), they will have no share in the increased wages that will cause the price to rise, while, as consumers, they will have to pay the increased price. Obviously it is to their interest that prices should be kept down as low as possible.

So much for the consumer who is a consumer only and not a producer. As to the other consumer, he who is also a producer, his case is wholly different. He has two capacities—that of a producer and that of a consumer. These capacities are not only distinct and separate: they are directly antagonistic to each other. They are antagonistic to each other because it is to their possessor's interest as a producer that the prices of products shall be high, so as to afford him high wages; while, as a consumer, it is to his interest that prices shall be low, so as to enable him to obtain his commodities for a small outlay of those wages. This fact, this junction in one person of mutually antagonistic and unequal interests, is the root of the whole matter. Confronted

with this problem, it becomes necessary for the producer to ascertain which set of interests are most important to him, in order that he may promote them in preference to the others. And a brief examination shows him that his interest as a producer greatly outweighs his interests as a consumer.

Here is the proof. The great bulk of the commodities are consumed by the non-producing consumers. Of course, I am speaking here of values, not mere quantities. The fact is proved thus: if we suppose that the wage-receiving workers spent the whole of their income, saving nothing, that would be, according to my calculations, about 400,000,000*l.* annually. That, therefore is the outside measure of their present possible consumption. If the other classes did the same, that is, spent the whole of their income, their consumption would be about 1,600,000,000*l.*, that being the amount of their income. But, giving these other classes the benefit of the assumption that they save one-fourth of their income—a large concession—they still stand debited with an annual consumption of the value of 1,200,000,000*l.*, or three-fourths of the whole. And, that being so, it is evident that the burden of increased prices would be borne to the extent of three-fourths by the non-producing classes, the working class bearing one-fourth only. The result, therefore, would be that while the worker would receive, in his wages, the whole of the increase of the prices of commodities, he would pay, in buying his commodities, one-fourth of that amount back again, leaving him a net balance to the good of three-fourths of the total increase.

Let me simplify it by an easy illustration. A workman, say a baker, is in receipt of a weekly wage of 25*s.* and the amount of value this baker produces for this 25*s.* is, say 4*l.* Now let us suppose that this 4*l.* takes the form of 160 quarter loaves, value 6*d.* each, which the baker turns out each week. We have already assumed that the baker spends the whole of his wages every week, saving nothing, and, for convenience of illustration, let us put all his commodities in the form of the loaves he himself produces. It gives us this result: 160 loaves, value 6*d.* each, total value 4*l.*, produced

for a wage of 25s., with which 25s. the baker buys back for his own sustenance fifty loaves. Now comes the change. By the shortening of the labour day and the consequent scarcity of labour, the baker is able, we will suppose, to obtain an increase in his wage of 100 per cent, bringing it up to 50s. per week. And in order to cover this increase in the cost of production, amounting to 25s. on 160 loaves, the master baker puts 2d. on each sixpenny loaf, thus raising its price to 8d., and the total increase on the 160 loaves to 26s. 8d., or 1s. 8d. more than the increase in the workman's wage. Now, what is the result? The result, so far as the workman is concerned, is that he now, buying the same commodities as before, has to pay 33s. 4d. for his fifty loaves, instead of 25s. as previously, but that, on the other hand, he receives 25s. more as wages, leaving him a net weekly balance to the good of 16s. 8d. It is clear, therefore, whatever else may be doubtful in this controversy, that the interests of the producer and the interests of the consumer are diametrically opposed to each other, and that the assertions of the Cobden Club economists to the contrary are entirely unfounded.

In the foregoing pages I have endeavoured to show, firstly, that the present condition of the British worker is one of virtual slavery, and that that slavery is the result of competition, which, making use of the surplus in the world labour market dooms the worker to a subsistence wage. Secondly, that that competition is the very soul of, and inseparable from free trade. And, thirdly, that it can only be overcome by protective legislation which shall (a) exclude all foreign labour; (b) exclude all foreign products that we can ourselves produce; and (c) shorten the labour day, by law, on the lines of the Factory Acts, to such a point that the labour of the whole of the workers in the country will be necessary for the satisfaction of the wants of the community. The exclusions, it is self-understood, must apply to our Colonies and Dependencies as well as to foreign nations, for many of them possess a superabundant store of cheap labour; but with this difference in favour of our Colonies, that we should, in return for corresponding advantages conceded by them to us, pur-

chase from them, in preference to foreign nations, such products as we required and could not ourselves produce. This preference given to our Colonies would, of course, have the effect of raising the price of the commodities we bought from them, for the competition of the foreign nations would be absent. But this slight extra expenditure would be more than counterbalanced by the reciprocal concession, from the Colonies to us, of preferential access to their markets.

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Protection.\* James G. Blaine.

The physical differences between the two countries are far more striking than the political and social differences. They are, indeed, almost incalculable. Great Britain is an island less than ninety thousand square miles in extent. It lies in the far north. Its southernmost point is nearly thirty degrees of latitude above the tropics. Its northernmost point is but nine degrees below the arctic circle. Within its area the exchange of natural products is necessarily limited. Its life depends upon its connection with other countries. Its prosperity rests upon its commerce with the world. On the other hand, a single state of the Union is nearly three times as large as Great Britain. Several other states are each quite equal to it in area. The whole Union is well-nigh forty times as large. Alaska excepted, the northernmost point of the Union is sixty miles south of the southernmost point of Great Britain, and the southernmost point of the Union is but little more than a hundred miles from the tropics. Its natural products are more varied, more numerous, and of more valuable character than those of all Europe. To quote one of Mr. Gladstone's phrases, we constitute "not so much a country in ourselves, as a world." He tells us that we carry on "the business of domestic exchanges on a scale such as mankind has never seen." Our

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\*An answer to the article on free trade by Mr. Gladstone, which is reprinted in part on page 107.

foreign commerce, very large in itself, is only as one to twenty-five compared to our internal trade. And yet Mr. Gladstone thinks that a policy which is essential to an island in the northern ocean should be adopted as the policy of a country which even to his own vision is "a world within itself."

With these fundamental points of difference between the two countries, I assume that varied financial and industrial systems, wrought by the experience of each, would be the natural and logical result. Hence I do not join issue with Mr. Gladstone on both of his propositions. He defends free trade in Great Britain. He assails protection in the United States. The first proposition I neither deny nor affirm. Were I to assume that protection is in all countries and under all circumstances the wisest policy, I should be guilty of an error similar to that which I think Mr. Gladstone commits. It might be difficult to prove that free trade is not the wisest financial policy for Great Britain. So far from guarding herself against material imported from other countries, her industrial system would wither and die if foreign products were withheld for even a brief period. She is in an especial degree dependent upon the products of other nations. Moreover, she does not feel bound to pay heed to the rate of wages which her labor may receive. That, like the fabrics which her labor creates, must take its chance in the markets of the world.

On many points and in many respects it was far different with Great Britain a hundred years ago. She did not then feel assured that she could bear the competition of Continental nations. She was, therefore, aggressively, even cruelly, protective. She manufactured for herself and for her network of colonies reaching around the globe. Into those colonies no other nation could carry anything. There was no scale of duty upon which other nations could enter a colonial port. What the colonies needed outside of British products could be furnished to them only in British ships. This was not protection! It was prohibition, absolute and remorseless, and it was continued even to the day when Mr.



Gladstone entered upon his long and splendid career in Parliament. It was not broken, though in some respects it was relaxed, until in the fulness of time British energy had carried the wealth and the skill of the kingdom to the point where no competition could be feared.

During the last thirty years of her protective system, and especially during the twenty years from 1826 to 1846, Great Britain increased her material wealth beyond all precedent in the commercial history of the world. Her development of steam power gave to every British workman the arms of Briareus, and the inventive power of her mechanicians increased the amount, the variety, and the value of her fabrics beyond all anticipation. Every year of that period witnessed the addition of millions upon millions of sterling to the reserve capital of the kingdom; every year witnessed a great addition to the effective machinery whose aggregate power was already the wonder of the world. The onward march of her manufacturing industries, the steady and rapid development of her mercantile marine, absorbed the matchless enterprise and energy of the kingdom. Finally, with a vast capital accumulated, with a low rate of interest established, and with a manufacturing power unequalled, the British merchants were ready to underbid all rivals in seeking for the trade of the world.

At that moment Great Britain had reason to feel supremely content. She found under her own flag, on the shores of every ocean, a host of consumers whom no man might number. She had Canada, Australia, and India with open ports and free markets for all her fabrics; and, more than all these combined, she found the United States suddenly and seriously lowering her tariff and effectively abolishing protection at the very moment England was declaring for free trade. The traffic of the world seemed prospectively in her control. Could this condition of trade have continued, no estimate of the growth of England's wealth would be possible. Practically it would have had no limit. Could she have retained her control of the markets of the United States as she held it for the four years preceding the out-

break of the Civil War, the American people would have grown commercially dependent upon her in a greater degree than is Canada or Australia to-day.

But England was dealing with an intelligence equal to her own. The American people had, by repeated experience, learned that the periods of depression in home manufactures were those in which England most prospered in her commercial relations with the United States, and that these periods of depression had, with a single exception, easily explained, followed the enactment by Congress of a free-trade tariff,\* as certainly as effect follows cause. One of the most suggestive experiments of that kind had its origin in the tariff to which I have just referred, passed in 1846 in apparent harmony with England's newly-declared financial policy. At that moment a Southern President (Mr. Polk) and a Southern Secretary of the Treasury (Mr. Robert J. Walker) were far more interested in expanding the area of slave territory than in advancing home manufactures, and were especially eager to make commercial exchanges with Europe on the somewhat difficult basis of cotton at high prices and returning fabrics at low prices.

Under ordinary circumstances the free-trade tariff of 1846 would have promptly fallen under popular reprobation and been doomed to speedy repeal. But it had a singular history and for a time was generally acquiesced in, even attaining in many sections a certain degree of popularity. Never did any other tariff meet with so many and so great aids of an adventitious character to sustain it as did this enactment of 1846. Our war with Mexico began just as the duties were lowered, and the consequence was the disbursement of more than one hundred millions of dollars in a way that reached all localities and favorably affected all interests. This was a great sum of money for that period, and for the years 1846, 1847, and 1848 it considerably more than doubled the ordinary outlay of the government. In the middle of this

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\*The phrase "free-trade tariff" involves a contradiction of terms. It is used to designate that form of duty which is levied with no intention to protect domestic manufactures.

period the Irish famine occurred and called for an immense export of breadstuffs at high prices. The discovery of gold in California, the succeeding year, flushed the channels of business as never before, by rapidly enlarging the circulation of coin in all parts of the country. Before this outpouring of gold had ceased, the three great nations of Europe, as precedence was reckoned at that time,—England, France, and Russia,—entered upon the Crimean War. The export of manufactures from England and France was checked; the breadstuffs of Russia were blockaded and could not reach the markets of the world. An extraordinary stimulus was thus given to all forms of trade in the United States. For ten years—1846 to 1856—these adventitious aids came in regular succession and exerted their powerful influence upon the prosperity of the country.

The withdrawal or termination of these influences, by a treaty of peace in Europe and by the surcease of gold from California, placed the tariff of 1846 where a real test of its merits or its demerits could be made. It was everywhere asked with apprehension and anxiety, Will this free-trade tariff now develop and sustain the business of the country as firmly and securely as it has been developed and sustained by protection? The answer was made in the ensuing year by a widespread financial panic, which involved the ruin of thousands, including proportionately as many in the South as in the North, leaving the country disordered and distressed in all the avenues of trade. The disastrous results of this tariff upon the permanent industries of the country are described in President Buchanan's well-remembered message, communicated to Congress after the panic: "With unsurpassed plenty in all the elements of national wealth, our manufacturers have suspended, our public works are retarded, our private enterprises of different kinds are abandoned, and thousands of useful laborers are thrown out of employment and reduced to want." This testimony as to the result of a free-trade tariff is all the more forcible from the fact that Mr. Buchanan, as a member of President Polk's Cabinet,

had consented to the abandonment of protection, which in his earlier career he had earnestly supported.

If these disasters of 1857, flowing from the free-trade tariff, could have been regarded as exceptional, if they had been without parallel or precedent, they might not have had so deadly a significance. But the American people had twice before passed through a similar experience. On the eve of the War of 1812, Congress guarded the national strength by enacting a highly protective tariff. By its own terms this tariff must end with the war. When the new tariff was to be formed, a popular cry arose against "war duties," though the country had prospered under them despite the exhausting effect of the struggle with Great Britain. But the prayer of the people was answered, and the war duties were dropped from the tariff of 1816. The business of the country was speedily prostrated. The people were soon reduced to as great distress as in that melancholy period between the close of the Revolutionary War and the organization of the National Government—1783 to 1789. Colonel Benton's vivid description of the period of depression following the reduction of duties comprises in a few lines a whole chapter of the history of free trade in the United States:

"No price for property; no sales except those of the sheriff and the marshal; no purchasers at execution-sales except the creditor or some hoarder of money; no employment for industry; no demand for labor; no sale for the products of the farm; no sound of the hammer except that of the auctioneer knocking down property. Distress was the universal cry of the people; relief the universal demand."

Relief came at last with the enactment of the protective tariff of 1824, to the support of which leading men of both parties patriotically united for the common good. That act, supplemented by the act of 1828, brought genuine prosperity to the country. The credit of passing the two protective acts was not due to one party alone. It was the work of the great men of both parties. Mr. Clay and General Jackson, Mr. Webster and Mr. Van Buren, General William Henry Harrison and Richard M. Johnson, Silas Wright and Louis McLane, voted for one or the other of these acts, and several of them voted for both. The coöperation of

these eminent men is a great historic tribute to the necessity and value of protection. Plenty and prosperity followed, as if by magic, the legislation to which they gave their support. We have their concurrent testimony that the seven years preceding the enactment of the protective tariff of 1824 were the most discouraging which the young Republic in its brief life had encountered, and that the seven years which followed its enactment were beyond precedent the most prosperous and happy.

Sectional jealousy and partisan zeal could not endure the great development of manufactures in the North and East which followed the apparently firm establishment of the protective policy. The free-trade leaders of the South believed—at least they persuaded others to believe—that the manufacturing states were prospering at the expense of the planting states. Under the lead of Calhoun, South Carolina rebelled, and President Jackson, who had so strikingly shown his faith in the policy of protection, was not able to resist the excitement and resentment which the Free-Traders had created in the cotton states. He stood between hostile policies, represented by his two bitterest personal enemies—Clay for protection; Calhoun for free trade. To support Clay would ruin Jackson politically in the South. He could not sustain Calhoun, for, aside from his opposition to free trade, he had cause for hating him personally. He believed, moreover, that Calhoun was at heart untrue to the Union, and to the Union Jackson was as devoted as Clay. Out of this strange complication came, not unnaturally, the sacrifice of the protective tariff of 1824-28 and the substitution of the compromise tariff of 1833, which established an *ad-valorem* duty of 20 per cent. on all imports, and reduced the excess over that by a 10 per cent. annual sliding scale for the ensuing ten years. Like all compromises, it gave complete satisfaction to neither party, but it was received with general acquiescence from the belief that it was the best practicable solution of the impending difficulties. The impending difficulties were two. One was the portentous movement which involved the possibility of dissolving the

Union. The other was the demand for a free trade tariff as the only measure that could appease the Southern Nullifiers. Disunion and free trade from that time became associated in the public mind—a source of apprehension in the North, a source of political power in the South. Calhoun was the master-spirit who had given the original impulse both to disunion and free trade. Each in turn strengthened the other in the South and both perished together in the War of the Rebellion.

For a time satisfaction was felt with the tariff adjustment of 1833, because it was regarded as at least a temporary reconciliation between two sections of the Union. Before the sliding scale was ruinously advanced, there was great stimulus to manufacturing and to trade, which finally assumed the form of dangerous speculation. The years 1834, 1835, and 1836 were distinguished for all manner of business hazard, and before the fourth year opened, the 30-per cent. reduction (three years of 10 per cent. each) on the scale of duties was beginning to influence trade unfavorably. The apprehension of evil soon became general, public confidence was shaken, the panic of 1837 ensued, and business reversals were rapid, general, and devastating.

The trouble increased through 1838, 1839, and 1840, and the party in power, held responsible for the financial disasters, fell under popular condemnation. Mr. Van Buren was defeated, and the elder General Harrison was elevated to the Presidency by an exceptionally large majority of the electoral votes. There was no relief to the people until the protective tariff of 1842 was enacted; and then the beneficent experience of 1824 was repeated on even a more extensive scale. Prosperity, wide and general, was at once restored. But the reinstatement of the Democratic party to power, two years later, by the election of Mr. Polk to the Presidency, followed by a perverse violation of public pledges on the part of men in important places of administration, led to the repeal of the protective act and the substitution of the tariff of 1846, to which I have already adverted, and whose effects upon the country I have briefly outlined.

Measuring, therefore, from 1812, when a protective tariff was enacted to give strength and stability to the government in the approaching war with Great Britain, to 1861, when a protective tariff was enacted to give strength and stability to the government in the impending revolt of the southern states, we have fifty years of suggestive experience in the history of the Republic. During this long period free-trade tariffs were thrice followed by industrial stagnation, by financial embarrassment, by distress among all classes dependent for subsistence upon their own labor. Thrice were these burdens removed by the enactment of a protective tariff. Thrice the protective tariff promptly led to industrial activity, to financial ease, to prosperity among the people. And this happy condition lasted in each case, with no diminution of its beneficent influence, until illegitimate political combinations, having their origin in personal and sectional aims, precipitated another era of free trade. A perfectly impartial man, unswerved by the excitement which this question engenders in popular discussion, might safely be asked if the half-century's experience, with its three trials of both systems, did not establish the wisdom of protection in the United States. If the inductive method of reasoning may be trusted, we certainly have a logical basis of conclusion in the facts here detailed.

And by what other mode of reasoning can we safely proceed in this field of controversy? The great method of Bacon was by "rigid and pure observation, aided by experiment and fructified by induction." Let us investigate "from effects to causes, and not from causes to effects." Surely it is by a long series of experiments, and by that test only, that any country can establish an industrial system that will best aid in developing its hidden wealth and establishing its permanent prosperity. And each country must act intelligently for itself. Questions of trade can no more be regulated by an exact science than crops can be produced with accurate forecast. The unknown quantities are so many that a problem in trade or agriculture can never have an absolute answer in advance. But Mr. Gladstone, with an

apparent confidence in results as unshaken as though he were dealing with the science of numbers, proceeds to demonstrate the advantage of free trade. He is positively certain in advance of the answer which experiment will give, and the inference is that nothing is to be gained by awaiting the experiment. Mr. Gladstone may argue for Great Britain as he will, but for the United States we must insist on being guided by facts, and not by theories; we must insist on adhering to the teachings of experiments which "have been carried forward by careful generalization to well-grounded conclusions."

As an offset to the charge that free-trade tariffs have always ended in panics and long periods of financial distress, the advocates of free trade point to the fact that a financial panic of great severity fell upon the country in 1873, when the protective tariff of 1861 was in full force, and that, therefore, panic and distress follow periods of protection as well as periods of free trade. It is true that a financial panic occurred in 1873, and its existence would blunt the force of my argument if there were not an imperatively truthful way of accounting for it as a distinct result from entirely distinct causes. The panic of 1873 was widely different in its true origin from those which I have been exposing. The Civil War, which closed in 1865, had sacrificed on both sides a vast amount of property. Reckoning the money directly expended, the value of property destroyed, and the production arrested and prevented, the total is estimated to be nine thousand millions of dollars. The producers of the country had been seriously diminished in number. A half-million men had been killed. A million more had been disabled in various degrees. Help was needed in the honorable form of pensions, and the aggregate required for this purpose exceeded all anticipation and has annually absorbed an immense proportion of the national income. The public debt that must be funded reached nearly three thousand millions, demanding at the beginning more than one hundred and fifty millions of dollars for annual interest. A great proportion of the debt, when funding was complete, was



held in Europe, calling for an enormous export of gold, or its equivalent, to meet the interest.

Beside these burdens upon the people, the country was on a basis of paper money, and all gold payments added a heavy premium to the weight of the obligation. The situation was without parallel. The speculative mania which always accompanies war had swollen private obligations to a perilous extent, and the important question arose of restoring coin payment. On the one hand, it was contended that to enforce the measure would create a panic by the shrinkage of prices which would follow; and on the other hand, it was urged with equal zeal that to postpone it longer would increase the general distrust among the people as to the real condition of the country, and thus add to the severity of the panic if one should be precipitated.

Notwithstanding the evil prophecies on both sides, the panic did not come until eight and a half years after the firing of the last gun in the Civil War. Nor did it come until after two great calamities in the years immediately preceding had caused the expenditure of more than two hundred millions of dollars, suddenly withdrawn from the ordinary channels of business. The rapid and extensive rebuilding in Chicago and Boston after the destructive fires of 1871 and 1872 had a closer connection with the panic of 1873 than is commonly thought. Still further, the six-years' depression, from 1873 to 1879, involved individual suffering rather than general distress. The country as a whole never advanced in wealth more rapidly than during that period. The entire experience strengthened the belief that the war for the Union could not have been maintained upon a free-trade basis, and that the panic of 1873 only proved the strength of the safeguard which protection supplies to a people surrounded by such multiform embarrassments as were the people of the United States during the few years immediately following the war. And, strongest of all points, the financial distress was relieved and prosperity restored under protection, whereas the ruinous effects of panics under free trade have never been removed except by a resort to protection.

Does Mr. Gladstone maintain that I am confusing *post hoc* with *propter hoc* in these statements? He must show, then, that the United States during the war could have collected a great internal revenue on domestic manufactures and products, when under the system of free trade similar fabrics would daily have reached New York from Europe to be sold at prices far below what the American manufacturer, with the heavy excise then levied, could afford to set upon his goods. And if the government could collect little from the customs under free trade, and nothing from internal products, whence could have been derived the taxes to provide for the payment of interest on public loans, and what would have become of the public credit? Moreover, with free trade, which Mr. Gladstone holds to be always and under all circumstances wiser than protection, we should have been compelled to pay gold coin for European fabrics, while at home and during the tremendous strain of the war legal-tender paper was the universal currency. In other words, when the life of the country depended upon the government's ability to make its own notes perform the function of money, the Free-Traders' policy would have demanded daily gold for daily bread.

There is another important effect of protective duties which Mr. Gladstone does not include in his frank admission. He sees that the laborers in what he calls the "protected industries" secure high pay, especially as compared with the European school of wages. He perhaps does not see that the effect is to raise the wages of all persons in the United States engaged in what Mr. Gladstone calls the "unprotected industries." Printers, bricklayers, carpenters, and all others of that class are paid as high wages as those of any other trade or calling, but if the wages of all those in the protected classes were suddenly struck down to the English standard, the others must follow. A million men cannot be kept at work for half the pay that another million men are receiving in the same country. Both classes must go up or must go down together.

Mr. Gladstone makes another contention, in which, from

the American point of view, he leaves out of sight a controlling factor, and hence refers an effect to the wrong cause. Regarding the advance of wages in England, he says: "Wages which have been partially and relatively higher under protection have become both generally and absolutely higher, and greatly higher, under free trade." I do not doubt the fact, but I venture to suggest that such advance in wages as there has been in England is referable to another and a palpable cause—namely, the higher wages in the United States, which have constantly tempted British mechanics to emigrate, and which would have tempted many more if the inducement of an advance in wages at home had not been interposed. Especially have wages been high and tempting in the United States since 1861, when the country became firmly protective by the enactment of the Morrill tariff. It will be found, I think, that the advance of wages in England corresponds precisely in time, though not in degree, with the advance in the United States, and the advance in both cases was directly due to the firm establishment of protection in this country as a national policy. But it must not be forgotten that American wages are still from 70 per cent. to 100 per cent. higher than British wages. If a policy of free trade should be adopted in the United States, the reduction of wages which would follow here would promptly lead to a reduction in England. The operatives of Manchester, Leeds, and Sheffield recognize this fact as clearly as do the proprietors who pay the advanced wages, and more clearly than do certain political economists who think the world of commerce and manufactures can be unerringly directed by a theory evolved in a closet without sufficient data, and applied to an inexact science.

**North American Review. 150: 740-8. June, 1890.**

Value of Protection. William McKinley.

We shall have tariffs so long as we have a government. We can only dispense with them by resorting to direct taxa-

tion, and it is hardly probable that the people of this country will ever consent to that system exclusively for raising the needed revenues of the government. Whatever may be our opinions of either a "tariff for revenue only" or a tariff for revenue coupled with "protection," the great majority of our people will probably always prefer the one or the other for raising revenue to taxing directly our own products, our own industries, and our own people. The government inaugurated the tariff system in its first revenue bill, and no considerable party in this country has ever sought to change it.

In the discussion of these theories of external taxation we are prone to forget that the one or the other is a necessity. No government can be administered without an assured annual income, and there is no way of securing this income save by resorting to the taxing power conferred upon Congress by the Constitution of the United States. It may be an evil, but if so, it is a necessary one, and inseparable from the existence of government.

It requires about \$400,000,000 annually to meet the fiscal requirements of the government. That is the condition which confronts us. The way to raise this money with the least burden upon the people is the problem of the statesman and legislator. It would not do in time of peace to issue the notes of the government, and thus create a charge upon the people, making no provision for their payment. It would not do to restore the internal-revenue system as it prevailed through the war and for some years subsequent thereto, when everything was taxed—every tool of trade, every article of commerce, every legal document, every check or note or instrument of writing, every profession, every income. The people would not stand that long. They bore it patiently and patriotically under a great national necessity. They bore it that the government might be preserved and its institutions continued, just as they had borne similar taxation at two other periods of our history which were similar in their necessities.

It must be manifest, therefore, that the largest share of

the needed income must be raised by tariff taxation or import duties. Indeed, the predominating sentiment of the country is that the whole of it should be provided in that manner. In answer to this sentiment Congress has, from time to time, been chipping away the internal-revenue taxes; and in the bill now before the House it is proposed to remove more than \$10,000,000 of these taxes. And whatever may be said of any other system of taxation, it is thoroughly well understood that all internal-revenue taxes are paid directly by the consumers, and are a direct burden upon our own people and their occupations.

In this situation the sole question at issue between the two great political parties of the country is whether our income shall be secured from a tariff levied upon foreign products seeking a market here, having in view revenue, and revenue only, whether, in securing this revenue and imposing these tariffs upon foreign imports, we shall be mindful not alone of the revenue produced by such duties and required for the government, but shall see to it that duties are so levied as to be a protection and defence to our own industries against competing industries. That is (as we all agree to impose duties upon foreign products), shall they be imposed upon rival foreign products, which the advocates of protection insist shall bear them? or shall they be imposed upon products that are not rivals of our own and that do not compete with our own, which is the theory and principle upon which revenue tariffs are constructed?

If revenue is the sole consideration, then the surest and most direct way is to put the duty upon those articles of foreign manufacture and production which, with a small and inconsiderable tax, will produce the largest volume of revenue; meaning, of course, those articles that we either do not produce at all or in such small measure as to fall greatly short of our domestic wants. This, it will be seen, is no better than a system of direct taxation, no less onerous than the internal-revenue system; for if the duty is put upon the non-competing foreign products, the consumers in the United States will pay every dollar of that tax, because, as there

is no competition at home, the price of such foreign products to the American consumer will be the foreign price with the duty added. We would secure the revenue, but we would pay it wholly ourselves. A revenue tariff is always paid by the consumer. We would secure the revenue for a time, but, in placing the duty upon the non-competing foreign product, we would give no encouragement or protection to any home industry, for we have practically none, and it is for this reason that revenues are assured with the smallest tax; for these revenues will always be measured by the demand of our people for such foreign articles as we cannot produce at home, limited only by our ability to buy. I repeat, this mode of taxation is just as objectionable as the most burdensome excise tax.

Is it not better, therefore, I submit, that the income of the government shall be secured by putting a tax or a duty upon foreign products, and at the same time carefully providing that such duties shall be on products of foreign growth and manufacture which compete with like products of home growth and manufacture, so that, while we are raising all the revenues needed by the government, we shall do it with a discriminating regard for our own people, their products, and their employments? Such a tariff stands as a defence to our own productions, as a discrimination in favor of our own and against the foreign, and as an encouragement to productive enterprises, besides securing a healthful competition not only among ourselves, but between ourselves and foreign producers, tending to prevent combinations and monopolies, and eventuating in fair and reasonable prices to our own consumers. This is impossible under the Democratic revenue-tariff system.

Cardinal Manning says in a recent article:

"If the great end of life were to multiply yards of cloth and cotton twist, and if the glory of England consists or consisted in multiplying without stint or limit these articles and the like at the lowest possible price, so as to undersell all the nations of the world, well, then let us go on. But if the domestic life of the people be vital above all; if the peace, the purity of homes, the education of children, the duties of wives and mothers, the duties of husbands and of fathers, be written in the natural law of mankind, and if these things are sacred, far beyond anything that can be sold in the market, then I

say, if the hours of labor resulting from the unregulated sale of a man's strength and skill shall lead to the destruction of domestic life, to the neglect of children, to turning wives and mothers into living machines, and of fathers and husbands into—what shall I say, creatures of burden?—I will not say any other word—who rise up before the sun, and come back when it is set, wearied and able only to take food and lie down to rest, the domestic life of men exists no longer, and we dare not go on in this path.

"I will ask, is it possible for a child to be educated who becomes a daily wage-earner at ten or even twelve years of age? Is it possible for a child in the agricultural districts to be educated who may be sent out into the fields at nine? I will ask, can a woman be the mother and head of a family who works sixty hours a week? You may know better than I, but bear with me if I say I do not understand how a woman can train her children in the hours after they come home from school if she works all day in a factory. The children come home at 4 and 5 in the afternoon; there is no mother in the house. I do not know how she can either clothe them, or train them, or watch over them, when her time is given to labor for sixty hours a week."

Never was more truth crowded into the same space. It presents the situation in a most striking manner. If the great end of life be to multiply commodities at the lowest price, at the expense of labor, then the British system surpasses ours; then does it become the ideal system, and the Democratic party is wise in adopting it. But there are other considerations higher and deeper than cheap fabrics, when made so by the degradation of human labor. We must take into account the family and the fireside. We must have more concern for the man, for his welfare, his improvement and development, the enlargement of his opportunities, inspiring him to greater effort in the confidence of increasing rewards. These conditions will ultimately secure cheaper commodities, not through harsh and unnatural exactions placed upon labor, but through that skill and craft and invention which are the sure outcome of intelligent, thoughtful, independent, and well-paid labor.

The mind will not invent, will not discover, new and better and more economical processes and methods of production, if the body is used as a mere "creature of burden." If the body is enslaved, the mind cannot be free.

Now, whatever system will bring the largest liberty to the masses of our countrymen, the largest independence to the workman, the highest incentive to manual and intellectual

effort, the better comforts and the more refining environments to the family, cannot be dear at any price. It must be conceded that the protective system has accomplished much in this direction; certainly more than any other system. It has dignified and elevated labor; it has made all things possible to the man who works industriously and cares for what he earns; it has opened to him every gateway to opportunity. We observe its triumphs on every hand: we see the mechanic become the manufacturer, the workman the proprietor, the employee the employer. It does not stifle, but it encourages, manly effort and endeavor. Is this not worth something? Is it not worth everything? Especially in a country like ours, where the government is founded upon the consent of the governed, where citizenship is equal, and suffrage without limit, is it not our plain duty to educate, improve, and elevate our citizenship, which is indispensable to the peace and good order of our communities, and the permanence of our institutions? And the system which secures these advantages in a larger degree than any other, as experience has demonstrated, is the protective system.

The Democratic free-trade Tariff-Reformers cry out against this system as narrow and restrictive. The formation of government anywhere is narrow and restrictive: otherwise there would be no occasion for separate governments. But the system in itself is neither narrow nor restrictive. It is free—freer than the fiscal system of any other government as applied to its own people. It is unrestrained throughout forty states and all the territories; it extends from ocean to ocean. No other nation has such freedom of international exchange as ours. No other people have so few restraints placed upon their commerce, their trade, and their labor. The Free-Trader wants the world to enjoy with our own citizens equal benefits of trade in the United States. The Republican Protectionist would give the first chances to our people, and would so levy duties upon the products of other nations as to discriminate in favor of our own. The Democratic party would make no distinction; it would



serve the alien and the stranger: the Republican party would serve the state and our own fellow-citizens.

Both of these systems have been tried in the United States; each has had a fair test and equal opportunity to vindicate its value as a national policy.

The revenue-tariff system has wholly failed to give to the government or the people satisfactory results. It was not even satisfactory as a financial system in securing the needed revenue. It failed at the end of its last fifteen years of trial, between 1847 and 1861, to furnish sufficient revenue for the government; and as a measure affecting the development of our country and the opening up of its vast resources, it was a failure from its inauguration. It did not even benefit agriculture, which it was thought it would greatly stimulate. The world's markets, which were to be opened up by this policy to our agricultural products, proved a disappointment to the authors of the policy and disastrous to the very interests it was intended to promote. It neither extended our trade abroad nor supplied the needed revenue, and was positively destructive of domestic manufactures.

Nearly thirty years of trial of the system of protection with its marvellous achievements ought to be answer enough to the criticisms of its enemies. It has developed our own resources; it has built up a commerce among ourselves without a parallel in our own history or in the recorded annals of the world; while our trade outside has been growing, and was never so great or so satisfactory as it is to-day.

Not only does our own experience commend protection as a national policy, but also the experience of the British colonies which have adopted it.

Sir Charles Dilke, in his work "Problems of Greater Britain,"—himself a Free-Trader,—frankly confesses that it is not easy for a Free-Trader to give a perfectly fair statement of the facts bearing upon colonial protection without himself being thought to be an apostate. The distinguished author, in his earlier work, "Great Britain," noted the growing strength of the doctrine of protection in the colonies. In his new work he now adds that

"since that time the whole of the self-governing colonies of

Great Britain, except New South Wales and the Cape (South Africa), have become protectionist, while the Cape has heavy duties upon most goods, put on, however, mainly for revenue purposes, but now beginning to give rise to a growth of protectionist opinion; and in New South Wales the Free-Traders hold their own only by a bare majority."

Sir Charles further says that it cannot be denied that the effect in the provinces of the Victorian protective system has been to enable the colony to gradually supply its wants with a better class of home-made goods, instead of importing them.

Speaking of Canada, he says: "There can be but little doubt about the general popularity of the protective system in Canada, and Sir John Macdonald's long possession of power has been facilitated by his adoption of the so-called national policy," which, on Sir Charles Dilke's own admission, "has caused Canadian manufacturers to win the greater portion of the Canadian market"; and he also states that the wealth of Canada has been more rapid since the adoption of the protectionist policy than before.

On the 12th of May, 1887, in the Commons, Sir Charles Tupper, in speaking of a previous period in the history of Canada under free trade, said:

"When the languishing industries of Canada embarrassed the finance minister of that day, when, instead of large surplus, large deficits succeeded year after year, the opposition urged upon that honorable gentleman that he should endeavor to give increased protection to the industries of Canada, which would prevent them from thus languishing and being destroyed. We were not successful,—I will not say in leading the honorable gentleman himself to the conclusion that that would be a sound policy, for I have some reason to believe that he had many a misgiving on that question,—but, at all events, we were not able to change the policy of the gentleman who then ruled the destinies of Canada. As is well known, that became the great issue at the subsequent general election of 1878, and the Conservative party being returned to power, pledged to promote and foster the industries of Canada as far as they were able, brought down a policy through the hands of my honored predecessor, Sir Leonard Tilley, . . . and I have no hesitation in saying that the success of that policy, thus propounded and matured from time to time, has been such as to command the support and confidence of a large portion of the people of this country down to the present day."

In Germany, so long ago as the 14th of May, 1882, Bismarck, in a speech before the German Reichstag, paid to the Republican tariff high eulogy. He said:

"The success of the United States in material development is the most illustrious of modern time. The American nation

has not only successfully borne and suppressed the most gigantic and expensive war of all history, but immediately afterward disbanded its army, found employment for all its soldiers and marines, paid off most of its debt, given labor and homes to all the unemployed of Europe as fast as they could arrive within its territory, and still by a system of taxation so indirect as not to be perceived, much less felt. Because it is my deliberate judgment that the prosperity of America is mainly due to its system of protective laws, I urge that Germany has now reached that point where it is necessary to imitate the tariff system of the United States."

Mulhall, the great London statistician, states that in 1860 our total wealth was estimated at \$16,000,000,000: it is now estimated at over \$60,000,000,000. In 1882 the same authority estimated the total wealth of Great Britain at \$40,640,000,000. Mr. Mulhall sets forth our development and progress in these forcible words: .

"It would be impossible to find in history a parallel to the progress of the United States in the last ten years. Every day that the sun rises upon the American people it sees an addition of two and one-half million dollars to the accumulation of wealth in the Republic, which is equal to one-third of the daily accumulation of all mankind outside the United States."

It is said that under the Republican policy exportations have been diminished, and our foreign trade crippled. This is not sustained by facts. Free trade will not increase the exportation of our products. Exports are regulated by supply and demand. Other countries buy of us what they need—no more and no less. Tariffs imposed upon products coming into the country do not prevent the sending of products out of the country. They put no restraint upon foreign trade. From Brazil, Venezuela, Uruguay, and the United States of Colombia we import to the value of \$78,000,000 in round numbers, of which \$72,000,000 is free of duty at our ports and \$5,815,000 is subject to duty; 93 per cent. comes in free. We sell to these countries a little over \$19,000,000, or about 25 per cent. of what we buy. In those countries to which we sell more than we buy nearly all the products bear a duty under our laws.

We sell to Europe \$449,000,000 worth of products and we buy \$208,000,000 worth. We sell to North America to the value of \$9,645,000 and buy \$5,182,000. We sell to South America \$13,810,000 and buy \$9,088,000. These statistics of the trade of the United States show that our tariffs do not

prevent exchanges with countries whose products competing with ours are made dutiable, but evidence a healthy and profitable trade, with the balance of exchanges greatly in our favor.

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Unemployment and Free Trade. O. Eltzbacher.

It may be objected that the foregoing views are unduly pessimistic; that unemployment is widespread, not only in Great Britain, but in other countries as well; and that the majority of our unemployed are out of work because they are unemployable, and have mostly been brought down by drink. Let us deal with these objections one by one.

As regards the objection that employment is bad not only in Great Britain but in other countries as well, I would give the following dry figures, which should prove more convincing than the most emphatic assertion:

PERCENTAGE OF UNEMPLOYED IN 1904.

	January Per Cent.	April Per Cent.	July Per Cent.	October Per Cent.
British Trades Unions	6.6	6.0	6.1	6.8
German Trades Unions	1.9	2.1	2.1	2.2

The foregoing figures, which are taken from the English and German Government statistics, show that unemployment was during 1904 more than three times greater in this country than it was in Germany. However, as the accuracy of these statistics, as of all statistics, may be called into question by statisticians and economists desirous of proving the contrary, I would give the following extract from the *Frankfurter Zeitung* of the 11th of November, 1905:

In October 1904 the unfavorable position of the coal-mining and the iron industries affected the German labour market unfavourably, and business in the textile industries also was not satisfactory, so that it was feared that some towns would suffer from lack of employment. These unfavourable symptoms have disappeared in the course of the present year. Whilst last year there were 130.9 applicants for every 100 situations vacant, there were in 1905 only 112.2 applicants for every 100 situations vacant. . . . In the iron and steel industries the num-

ber of men employed has during the year increased from month to month, and the autumn has brought orders which assure that the demand for labour will continue to be brisk. In the centres of the machine-making industries business is very active, and the small-iron industry has rarely been so fully occupied as during the present October. The building trade also is very busy. Business in the textile trades has also increased. . . . The increase of business, especially in the harbours, could be seen by the strong demand for labour, and on many days not enough men could be found for doing the work at the Port of Hamburg.

These facts and figures are based on the most comprehensive labour statistics relating to practically the whole of Germany, and the fact that the leading business paper of Germany reprinted them assures their accuracy.

A very good indication of the state of the German labour market is given by the sale of stamps under the Workmen's Insurance Act, for every workman has to insure himself in proportion to the wages he earns. During the autumn quarter of 1903 the sale of these stamps brought 33,611,000 marks; during the same period of 1904 it brought 35,241,000 marks; and during the autumn quarter of the present year it brought 38,013,000 marks. From these figures, it seems that employment in Germany is at present almost exactly 20 per cent. better than it was two years ago.

"The foregoing facts and figures prove absolutely that German labour is very fully employed, and exceedingly prosperous at the very time when the distress among our own unemployed is almost unparalleled. No noticeable unemployment exists at present in Germany.

In the United States, also, business is reported to be exceedingly good and labour to be fully employed; but, as the conditions in the United States and in this country greatly differ, it would perhaps not be quite fair to institute a comparison. On the other hand, it should be borne in mind that the natural resources of Germany are so much inferior to those possessed by this country, that employment ought to be far better in Great Britain than in Germany.

Some years ago the great Free-Trader, Professor Rogers, wrote:

It may be well the case, and there is every reason to fear it is the case, that there is collected a population in our great towns whose condition is more destitute, whose homes are more

squalid, whose means are more uncertain, whose prospects are more hopeless than those of the poorest serfs of the Middle Ages and the meanest drudges of the mediæval cities.

Unfortunately, the condition of our working population has, owing to the increased force of unemployment, very little, if at all, improved since these words were written; and Sir Henry Campbell-Bannerman did a great public service when, on the 5th of June, 1903, he declared:

Thanks to the patience and accurate scientific investigations of Mr. Rowntree and Mr. Charles Booth, we know that there is about 30 per cent. of our population underfed, on the verge of hunger. Thirty per cent. of 41,000,000 comes to something over 12,000,000. . . . About 30 per cent. of the population is living in the grip of perpetual poverty.

These facts, unfortunately, cannot be denied; and it follows that our working population, far from being prosperous and happy, is, owing to the uncertainty and the insufficiency of employment, and owing to consequent low wages, ill housed, insufficiently clad, and ill nourished.

That a population of which 30 per cent. lives 'in the grip of perpetual poverty' physically deteriorates, that it begets fewer and fewer children from year to year, and that it tries to drown its misery in drink, is only natural. The continuance of this fearful state of affairs means national suicide. The glaring physical deterioration of the population, which is due to underfeeding; the terrible decline of our birth-rate, which is due to the great poverty of the working masses; and the prevalence of drunkenness and unthriftiness among the miserable poor, are directly traceable to the insufficient, uncertain, and ill-paid employment of our working population. That our prosperity and our poverty affect our birth-rate, may easily be seen from the fact that in years of prosperity our population rapidly increases, whilst during bad years the birth-rate falls off. Between 1821 and 1871, when Great Britain had almost the world's monopoly in manufacturing, and when this country was very prosperous, the population of Great Britain, exclusive of Ireland, increased by almost 100 per cent.; whilst that of Germany, which then was a poor country, increased by but 50 per cent. Now industrial prosperity has left Great Britain for Germany, whereto it has been attracted by the German protective tariffs, and

the position of the two countries has been reversed as regards the increase of their population. The German population increases now 50 per cent. more rapidly than does our own. Great Britain, after having had the highest birth-rate in Europe, is rapidly drifting towards the lowest; and this country, after having had the first rank, occupies now only the sixth rank among European nations with regard to the percentual yearly increase of population, being now only equal to that of Spain.

How wretchedly poor, in consequence of their insufficient wages and the instability of their employment, British wage-earners are if compared with American and German workers is clear to all who know the United States and Germany. In order to show beyond any doubt that the German workmen—who are supposed to receive smaller wages, than English workers and to live on food quite unfit to be touched by a respectable English artisan—are exceedingly prosperous, I give the following figures:

	English Savings Banks Deposits	German Savings Banks Deposits
	£	£
1901	192,359,302	477,606,350
1902	197,110,169	515,665,750
Increase	£4,750,867	£38,059,400

The foregoing table shows that the deposits in the German savings banks are almost three times larger than are those in the British savings banks, and that the German deposits increased eight times more rapidly during the last year for which the German figures are available than did the British deposits. Besides their funds in the savings banks, the German working men have truly enormous amounts invested in co-operative societies, building societies, house property, &c. During 1902 the German workers received from the State insurance societies 20,762,310*l.* by way of compensation. These few figures prove that, notwithstanding loud assertions to the contrary which are based on insufficient knowledge, German workers are exceedingly well off and far more prosperous than are our own. Therefore

physical deterioration is absolutely unknown in Germany, and the population of Germany increases at present by almost 1,000,000 per annum, whilst our population barely grows at the rate of 400,000 per year.

The cause of the economic decay of the country, and of the physical decay of its population consequent upon lack of employment, is not far to seek, and it is clearly apparent from the following figures:

PERSONS EMPLOYED IN THE CHIEF INDUSTRIES OF THE UNITED KINGDOM

*Productive Industries*

	Agriculture	Fishing	Textile Fabrics	Metals, Machines, Imple- ments and Conveyances
1891	2,420,926	65,642	1,519,861	1,145,386
1901	2,262,454	61,925	1,462,001	1,476,410

*Non-productive Industries*

	Food, Tobacco, Drink and lodging	Conveyance of men, Goods and Messages	Commercial Occupations
1891	1,113,441	1,194,691	504,143
1901	1,301,076	1,497,629	712,465

The foregoing figures show that during a decade, when our population has increased by 10 per cent., the number of workers employed in some of our most important productive industries has very seriously declined. It is true that at the same time employment in our non-productive industries has greatly increased, but the capability of our non-productive industries to give employment to additional hands appears to be exhausted. After all, Great Britain can as little make a living out of her non-productive industries and by carting about and retailing other people's goods as the inhabitants of an island in the South Seas can subsist on taking in one another's washing.

Up to the 'seventies Great Britain was the workshop of the world; and a few decades ago, when our industrial supremacy was still unchallenged and seemed to be unchallengeable, Mr. Cobden prophesied: 'England is, and ever will be, the workshop of the world.' Unfortunately, that prophecy has not been fulfilled. Not only has Great Britain



ceased to be the workshop of the world, she has even ceased to be her own workshop. Foreign governments, not satisfied with having damaged our export business by closing their countries to our goods, have ruined our home markets also, and the British manufacturer, being hard pressed at home and abroad, has to reduce his staff. Thus foreign countries are creating the unemployed in our midst, they are expelling the population from this country in millions, and are filling our workhouses and prisons with men who might have been respectable citizens, wage-earners, and taxpayers, and who might never have fallen so low had there been sufficient employment. Napoleon the First closed the Continent to our wares in time of war by his continental system; but not a continental—a universal system of prohibition has closed now almost the whole world against our manufactures, and foreign nations not only have surrounded their countries with a high wall to shut us out, but break every day into our open garden and devastate it with impunity, since all protection has been withdrawn from the producer, and since politicians callously look on whilst industry after industry is being destroyed, and whilst million after million of our citizens have to leave our stores in order to find work abroad.

We have free imports, and theoretically, but not by any means in reality, is living cheap in this country. However, if the loaf is ever so cheap, the working man will be unable to buy it unless he can sell his labour. Manufacturers produce not from philanthropy, but in order to sell their goods; and if they cannot do so, they cannot give employment to their men.

Free Trade, we have been taught, benefits the consumer, and to a limited extent that is perfectly true. Rich men who live on their income, who produce nothing, and who have nothing to sell, are consumers pure and simple, and they are only interested in buying cheaply; but the workers who live on their labour cannot 'consume' their meal unless they have previously 'produced' some work.

The English consumers, rich and poor, give out the work, but the work which might set Englishmen working is unfor-

tunately given, in many cases, to the foreign producers. By this system—which no doubt is very scientific, which philosophically is perfect, and which theoretically is exceedingly beautiful—the consumers of this country set to work millions of foreign workmen, and thus withdraw work from this country and impoverish it in the same way in which certain absentee landlords impoverish Ireland. Our action is similar to that of a large landed proprietor in the country who orders from town everything that he requires on his estate for his numerous servants and horses, and who wonders why the village shops decay. Whilst Englishmen are starving from lack of work, the work which they might do is given by the British consumer to foreign workmen in the name of political economy. If I buy a French motor-car for 500*l.*, I give work to French labour; and out of this 500*l.*, between 300*l.* and 400*l.*, if not more, will be distributed to French workers in the shape of wages. If an import tariff would shut out the French motor-car, 300*l.* or 400*l.* would go to English working men, who are told that Free Trade is a blessing for them because it benefits the consumer.

The decay of our agriculture has, during the last thirty years, caused a loss of national capital which Mr. Palgrave estimates at the appalling amount of 1,700,000,000*l.*, a sum which is twice larger than our entire National Debt. When, through Free Trade, agriculture became unproductive, agricultural workers were discharged by the hundred thousand, exactly as now industrial workers are being discharged. The complaints of the unemployed agricultural labourers and of the farmers were met with the explanation that other nations could produce wheat, meat, &c., cheaper than we could, whilst we could produce more cheaply manufactured goods; that Great Britain was meant to be the workshop of the world, and that it would be good business if the foreigner should send us cheap food in exchange for our manufactured articles. Now the foreigner has taken to supply us not only with cheap food, but with cheap clothes and cheap furni-

ture as well; and what do we give him in exchange, for all imports have to be paid for? Our national capital.

Great Britain used to be by far the richest nation in the world, and her enormous wealth, invested in new countries, rapidly increased *pari passu* with the progress of those countries. A vast portion of that invested wealth has undoubtedly been used to pay for the huge excess of foreign imports over exports, and this is the reason why our national capital is shrinking, and why Great Britain, far from being the banker of the world as she used to be, has now to borrow in Paris, New York, and Berlin, when she requires money for floating a Government loan, or for some large industrial enterprise. In 1630, more than 250 years ago, a wise English merchant, Mr. Thomas Munn, wrote an essay entitled *Treasure by Forraign Trade or the Ballance of our Forraign Trade is the Rule of our Treasure*, and in that curious treatise we read:

The commonwealth shall decline and grow poor by a disorder in the people when through pride and other causes they do consume more forraign wares in value than the wealth of the Kingdom can satisfy and pay by the exportation of our own commodities which is the very quality of an unthrift who spends beyond his means.

Mr. Munn was only a plain business man, not a political economist, and consequently his writings are treated with contempt by the gentlemen who argue on plain matters of business in philosophical abstractions and in abstruse expressions; but his prophecy has unfortunately come only too true. Neither an individual nor a nation can live upon other people's work, as our political economists tell us this country does. Those who tell us that this country grows rich on 'foreign tribute' talk nonsense. If we wish to bring back strength, prosperity, and happiness to Great Britain, we must first of all endeavour to create sufficient productive employment for the nation, and this we can easily do by shutting out all foreign goods which can be produced by British labour, and by forcing foreign nations to open their markets again to our manufactures by retaliating if they shut out our trade.

We are told that it is the fault of our own manufacturers

and workmen if they cannot successfully compete with foreign industries in this country; but this assertion is untrue.

If our workmen are willing to accept free and unlimited competition, they must also be prepared to accept the lowest wages paid abroad. This our workmen, and especially our organised workmen, refuse to do, and they are right. As the living expenses of the working man in this country are, for climatic and other reasons, considerably higher than in many other countries—Germany for instance—British workers can compete on equal terms with German labour only by accepting starvation wages, supposing international competition to be not only free but also strictly fair. However, competition between British and foreign labour, though free, is not by any means strictly fair, because our workers have with their produce largely to compete with foreign surplus produce which can be sold at a loss in this country and yet with benefit to the foreign manufacturer.

As our political economists have not yet discovered that it is sometimes exceedingly profitable to sell goods at a loss, especially if they can be sold in the market of a competitor, I will give a homely illustration of this seeming paradox which will show the logic of such transactions. Every shopkeeper buys more stock than he can sell, because he does not want to be out of stock when customers come to his shop. His surplus stock he periodically sells 'at an alarming sacrifice' under cost price. He does so cheerfully, and he finds it profitable to sell part of his stock at a loss because he wants to turn over his capital. If all our West-end shopkeepers should combine to sell all their surplus stock at one certain spot, say at Hammersmith, they would easily be able to ruin nearly all the Hammersmith shopkeepers, and they could establish branch shops of their own in Hammersmith after thus having eliminated their competitors. This is the process which is going on continually in this country owing to unrestricted foreign competition, and thus, through Free Trade, our factories and workmen are being eliminated.

The manufacturers in various foreign countries—and especially in Germany, where they are united in powerful and well-organised combinations—agree to sell their goods only at a certain price which leaves them an ample profit in their own country. In the course of time large surplus stocks accumulate, and these the manufacturers have to sell, even, if necessary, at a loss, because they must turn over their money. Very sensibly they prefer spoiling our market in selling at a loss to spoiling their own, and all nations favour Great Britain with dumping their surplus stock because we invite all to unload their surplus stock in this country by our Free Trade system. For this reason enormous quantities of foreign goods coming from all industrial countries are sold here all the year round at a loss; and as the British manufacturer cannot possibly furnish the same goods under cost price in the ordinary course of business, he has to dismiss his men, who join the unemployed, whilst those who have money rejoice at the cheapness of things. If our manufacturers complain that the foreigner is ruining them, and if their men are starving because they cannot find employment, our Free-Traders, who mostly belong to the 'consumer' class, will comfort our ruined citizens with an economic conundrum, and praise Free Trade because it benefits the consumer' and makes goods cheap. Besides, the Free-Trader will loftily tell our manufacturers that they do not understand their business if they are unable to compete with foreign manufacturers, and he will say of their workmen that they are out of employment because they are incompetent, lazy, and drunken. The tender mercies of the Free-Traders are cruel.

The first effect of Free Trade was that in the course of a few decades it created several millions of unemployed workers in our agricultural districts, especially in Ireland. As then our manufacturing industries were flourishing, part of the discharged agricultural workers found occupation in the towns, whilst several millions of these men had to leave the country in order to find work in foreign lands where industries are protected. At present Free Trade is destroying

our manufacturing industries as well, and the exodus of our population from the land of Free Trade to protected countries is becoming greater and greater from year to year. The Moloch of Free Trade, after having swallowed up our country population and our agricultural wealth, is now swallowing up our town population and our industrial and invested wealth as well.

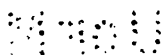
Great Britain has the best coal in the world, she has countless excellent harbours on every part of her coast, she has the best workmen in the world, and our industrial towns are situated so near to the sea that we can manufacture almost on board ship. Coal, iron, harbour, and manufacturing towns, situated closely together, give to this country an enormous natural advantage over all its competitors, the United States included. Germany, on the other hand, has inferior coal, she has but one good harbour, her workmen, though diligent and steady, are slow and rather clumsy, and, last but not least, her great manufacturing centres lie from 200 to 400 miles inland. Besides, Germany is hampered by militarism, and her industries are handicapped to some extent by compulsory workmen's insurance. Notwithstanding all these great disadvantages under which they labour, the German industries, which are carried on almost in the centre of the Continent, are exceedingly prosperous, whilst ours on the seaboard are decaying; we have permanently almost a million unemployed in the country, whilst Germany has hardly any unemployed; we have to send every year several hundred thousand abroad, whilst in Germany immigration is greater than emigration.

Why is Germany prosperous notwithstanding her inferior industrial resources, when at the same time Great Britain with her incomparable resources is rapidly impoverishing? The reason is a simple one. Germany carefully protects her industries, whilst Great Britain has abandoned them and coldly looks on whilst foreign nations destroy one by one the sources of her wealth; Germany carefully nurses and develops her national domain, whilst we believe that it is the height of political wisdom to neglect

ours and to let it go to seed; Germany's economic policy is directed by experienced business men, whilst ours is misdirected by doctrinaires who have learned by rote from a text-book, which has been written by a professor, some unproved economic theories which are bombastically called 'economic laws,' and they disdain to consider economic facts which are not mentioned in the text-book. Unemployment, the decay of our national physique, and many other evils which have sprung from unemployment, have but one cause—Free Trade. In the words of Bismarck, the body politic suffers from Bright's disease.

Various remedies have been proposed for relieving the unemployed. Some propose that the unemployed should be occupied in this country by creating work for them, others recommend that the unemployed should be shipped out of the country. Both proposals are impracticable. The country is not rich enough to give adequate relief to the unemployed. They cannot be settled on the land because they would not know how to work the land; and if they were taught to work the land, they would be ruined by Free Trade, exactly as French and German peasants would be ruined if American agricultural produce was freely imported into those countries. We can also not ship our unemployed out of the country, because no foreign country is willing to receive a few millions of the unemployed with their families. We may help several thousand of the unemployed, and we may send several thousand to the Colonies; but the bulk of the unemployed will remain with us, a living and terrible reproach to this country and to those who are the champions of our present economic policy, until Protection revives and recreates our industries and enables them again to expand and to employ more workers.

What the politician has spoiled, the politician must again set right. Protection must come, and will come. Meanwhile, we should do all in our power to help those unfortunate men who, in most cases through no fault of their own, have been impoverished and who are suffering especially during this severe winter. Let us also not forget that



those suffer most who suffer in silence. Her Majesty the Queen has shown us the way of practical charity. Let us follow her example and help the unemployed according to our means.

**Outlook. 79: 432-40. February 18, 1905.**

Should the Tariff Be Revised? William F. Draper.

The following figures are taken from reports of the Government Bureau of Statistics for the year ending June, 1904, and show imports of articles of which large amounts now come from abroad, in spite of duties. The list might be made much more complete had I room, but I quote only the larger importations of dutiable goods, to illustrate my point:

Manufactures of bronze.....	\$ 754,302
Brushes .....	1,372,227
Buttons and button forms.....	892,612
Cement .....	1,993,303
Chemicals, drugs, and dyes.....	24,407,444
Clocks and watches.....	2,990,474
Bituminous coal .....	5,043,824
Manufactures of cotton.....	49,524,426
Earthen, stone, and china ware.....	12,005,008
Manufactures of flax, jute, etc.....	39,221,694
Fish .....	8,610,653
Fruits and nuts.....	14,720,100
Glass and glassware.....	6,367,585
Manufactures of india-rubber, etc.....	1,157,042
Iron and steel and manufactures of .....	26,400,022
Jewelry (not including precious stones).....	2,048,697
Leather .....	4,909,231
Manufactures of leather.....	6,190,984
Marble and stone, and manufactures of.....	1,672,374
Matting and mats.....	3,609,795
Metals, and manufactures of.....	6,334,226
Musical instruments .....	1,366,378
Paints, pigments, and colors.....	1,674,019
Paper, and manufactures of.....	5,319,086
Manufactures of silk.....	31,973,680
Sugar .....	71,919,753
Tobacco .....	16,939,487
Manufactures of tobacco.....	3,133,859
Manufactures of wood .....	6,493,460
Wool .....	24,813,591
Manufactures of wool .....	17,733,788

Most of these articles we ought to produce ourselves, and it is evident that a reduction of duties, by making foreign competing goods in these lines cheaper, would either close American factories or force cheaper production therein. The



pressure of competition now has driven our manufacturers to the greatest economy in production, consistent with the wages paid, and an enforced cheaper production would therefore entail a reduction of wages. This again would diminish our home market and lower our civilization by bringing our mechanics and laborers nearer to the material condition of those in similar vocations abroad.

As a matter of fact, our tariff, more than any other factor, is responsible for the maintenance of our high wage scale here, and the lowering of this scale permanently would be a National calamity, degrading our labor, diminishing our home market, and striking at the very foundation of our Republic. I know that tariff reformers jeer at this, and assert that the greater wages of the mechanic here are more than offset by the greater cost of commodities. My space is too short to quote from Government reports and other familiar data on this point, but I will make a brief quotation from John Mitchell, in his "American and European Labor Conditions Compared." He says in Letter No. 12:

Generally speaking, the material situation of the American workingman is far superior to that of his European brethren. Although wages, hours of labor, and general conditions of work are far from satisfactory in the United States, the situation of the American workingman in these respects is better than that of the European workingman. Wages, measured both in money and in what money will buy, are higher in the United States than in England, and are much higher in the United States than in Germany, France or Belgium. The working day appears to be slightly longer in the United States than in England, and somewhat shorter in the United States than in Germany, France, or Belgium.

We had a sample of what tariff revision would accomplish in the passage of the Wilson Law in 1894, after six months or more of discussion and uncertainty. It is not necessary to go into detail for the benefit of those then of mature age. All such remember the closed factories, the immense destruction of values, the hundreds of thousands or millions of men desiring work who could not find it. And yet the Wilson Law was only a moderate reduction from the McKinley tariff—not as bad, perhaps, as might be expected if the work were undertaken again.

It is certain that if a reduction, made by the friends of

the tariff, were any less radical, the cry would immediately go up from the independent papers and tariff reformers for a real revision—not a make-believe. Nothing would be settled, and a partial success would only stimulate the outcry for more.

Referring, however, to the Wilson reduction or revision (the terms are synonymous), I will state its effect on one business—my own. We were employing twelve hundred men at our works in Hopedale in 1892, when it became certain that a revision would be made—all on full time, and at the then usual standard of wages. In 1894, after the passage of the Wilson Bill, this number was reduced to a little more than three hundred, working three-quarters time, and at wages twenty per cent less for the time employed. It would have been easy to reduce wages still further, as we were besieged by competent men willing to work for any price we would or could give them. The amount of reduction of duty on our product was only from forty-five to thirty-five per cent., and a less reduction than this could hardly be expected if our duties were to be revised at all. I certainly do not care for a repetition of this experience, and do not think the country does. It may be fair to say that after business became adjusted to the lower tariff our force went up again to seven hundred men, still at the lower wages, before the passage of the Dingley Law, after which we increased to a larger force and higher wages than ever before. I anticipate another similar experience, not only for my industry, but all along the line, if we again put the same causes into operation.

**Minneapolis Journal. September, 1908.**

**Indirect Protection for England.**

The argument for free trade would be perforce purely academic, were it not for the illustration afforded doctrinaire free-traders by the example of free-trade England.

That England, by virtue of her unique commercial and

financial position, was secretly protected, despite her official standing as a free-trade country, has long been suspected. Being the great sea carrier of the world, and monopolizing the business of insurance upon ships and the cargoes of the commerce of the world, she did not suffer the penalties of free trade as Germany, or France, or America would have done, and was virtually protected by means of many restrictions imposed through shipping regulations and the like.

Levy Mayer, a prominent Chicago lawyer, who has returned from a summer spent in Europe, tells us a shrewd English plan to protect English interests. Mr. Mayer is immensely impressed with the protective potentiality of the new English patent law.

In his own words: "The new patent laws of England have done much to revive certain industries and to establish others in that country. Under those laws foreign inventors cannot avail themselves of English protection unless the inventions are manufactured in England. The result of this has already been to compel the greatest of foreign corporations, particularly American ones, controlling successful inventions, to establish great manufacturing plants in England. A London financier and economist of international reputation, told me that in his opinion the law would require the use and expenditure for plants, materials, and labor of at least \$125,000,000 a year."

Which is a subtle form of protection, it is true, but a protection quite as decided as the protection afforded by tariffs. And England has always by ships, or through insurance, been keen to protect her capital at least, although she has been somewhat neglectful in protecting her labor, with the result of having a chronic "unemployed" problem on her hands.

But England's position is changing, or has changed. She no longer has a monopoly in manufacturing, and even her commercial supremacy upon the sea is disputed. Once her peculiar advantages protected her. Now she is feeling the need of having protection, such as other nations employ to sustain their home markets and to increase their

markets abroad. The liberal party is still averse to the protection policy of Joseph Chamberlain, but it is not above seeking and securing indirect protection through the agency of such legislation as these new patent laws.

Free trade is an obsolete doctrine. Soon no great nation but will have become a protectionist nation, if for no other reason than for that of being able to wage the wars which, as the late Lord Salisbury observed, are to be conducted in the future by means of tariffs instead of armies.



## NEGATIVE DISCUSSION

North American Review. 150: 1-27. January, 1890.

Free Trade. William E. Gladstone.

### *I. Apology for This Article.*

*The existing difference of practice between America and Britain with respect to free trade and protection of necessity gives rise to a kind of international controversy on their respective merits.*

I thought, and each of the rolling years teaches me more and more fixedly to think, that in international transactions the British nation for the present enjoys a commercial primacy; that no country in the world shows any capacity to wrest it from us, except it be America; that, if America shall frankly adopt and steadily maintain a system of free trade, she will by degrees, perhaps not slow degrees, outstrip us in the race, and will probably take the place which at present belongs to us; but that she will not injure us by the operation. On the contrary, she will do us good. Her freedom of trade will add to our present commerce and our present wealth, so that we shall be better than we now are. But while we obtain this increment, she will obtain another increment, so much larger than ours that it will both cover the minus quantity which, as compared with us, she at present exhibits in international transactions, and also establish a positive excess, possibly a large excess, in her own favor.

### *II. An Old Friend With a New Face*

The protective argument, however, at this stage rather is, How can the capitalist engaged in manufacture compete with his British rival, who obtains labor at half the price?

But this also is to us neither more nor less than the repetition of an old and familiar strain. The argument is so plausible that, in the early days of our wellknown Corn-Law controversy, it commended itself even to some of the first champions of Repeal. They pointed out that during the great French war the trade of our manufacturers was secured by our possession of the sea; but that, when, by the establishment of peace, that became an open highway, it was impossible for our manufacturers, who had to pay their workmen wages based upon protection prices for bread as the first necessary of life, any longer to compete with the cheap bread and cheap labor of the continent. And, in truth, they could show that their trade was at the time, to a great extent, either stationary or even receding. These arguments were made among us, in the alleged interest of labor and of capital, just as they are now employed by you; for America may at present be said to diet on the cast-off reasonings of English protectionism. They were so specious that they held the field until the genius of Cobden recalled us from conventional phrases to natural laws, and until a series of bad harvests (about 1838-41) had shown the British workman that what enhanced the price of his bread had no corresponding power to raise the rate of his wages, but distinctly tended to depress them.

Let me now mark the exact point to which we have advanced. Like a phonograph of Mr. Edison, the American Protectionist simply repeats on his side of the Atlantic what has been first and often, and long ago, said on ours. Under protection our wages were, on the whole, higher than those of the Continent. Under protection American wages are higher than those of Great Britain. We then argued, *post hoc, ergo propter hoc*. He now argues (just listen to his phonograph), *post hoc, ergo propter hoc*. But our experience has proceeded a stage further than that of the American people. Despite the low wages of the Continent, we broke down every protective wall and flooded the country (so the phrase then ran) with the corn and the commodities of the whole world; with the corn of America first and fore-

most. But did our rates of wages thereupon sink to the level of the Continent? Or did it rise steadily and rapidly to a point higher than had been ever known before?

That the American rate of wages is higher than ours I concede. Some, at least, of the causes of this most gratifying fact I shall endeavor to acknowledge. My enumeration may be sufficient or may be otherwise. Whether it be exhaustive or not, the facts will of themselves tend to lay upon protectionism the burden of establishing, by something more than mere concomitancy, a causal relation between commercial restraint and wages relatively high. But what if, besides doing this, I show (and it is easy) that wages which may have been partially and relatively high under protection, have become both generally and absolutely higher, and greatly higher, under free trade?

That protection may coexist with high wages, that it may not of itself neutralize all the gifts and favors of nature, that it does not as a matter of course make a rich country into a poor one—all this may be true, but it is nothing to the point. The true question is whether protection offers us the way to the maximum of attainable wage. This can only be done by raising to the utmost attainable height the fund out of which wages and profits alike are drawn. If its tendency is not to increase, but to diminish, that fund, then protection is a bar to high wages, not their cause; and is, therefore, the enemy, not the friend, of the classes on whose wages their livelihood depends. This is a first outline of the propositions which I shall endeavor to unfold and to bring home.

### *III. British Wages*

Mr. McKay greatly relied upon a representation which he has given as to the rate of wages in England. It is only incidental to the main discussion, for the subject of this paper is not England, but America. Yet it evidently requires to be dealt with; and I shall deal with it broadly, though briefly, asking leave to contest alike the inferences and the facts which he presents. My contention on this head will be two-fold. First, he has been misled as to the actual rate of



wages in England. Secondly, the question is not whether that rate is lower than the rate in America, nor even whether the American workman (and this is a very different matter) is always better off than the workman in England. It is, What are English wages now under free trade, compared with what they formerly were under protection?

We must endeavor to ascertain the general rate of wages now, in comparison with what it was under the protective system, and with constant regard to the cost of living as exhibited by the prices of commodities.

And, in order to try the question for this country at large, whether free trade has been a curse or a blessing to the people who inhabit it, I shall repair at once to our highest authority, Mr. Giffen, of the Board of Trade, whose careful and comprehensive disquisitions are before the world, and are known to command, in a very high degree, the public confidence. He supplies us with tables\* which compare the wages of 1833 with those of 1883 in such a way as to speak for the principal branches of industry, with the exception of agricultural labor. The wages of miners, we learn, have increased in Staffordshire (which almost certainly is the mining district of lowest increment) by 50 per cent. In the great exportable manufactures of Bradford and Huddersfield, the lowest augmentations are 20 and 30 per cent., and in other branches they rise to 50, 83, 100, and even to 150 and 160 per cent. The quasi-domestic trades of carpenters, bricklayers, and masons, in the great marts of Glasgow and Manchester, show a mean increase of 63 per cent. for the first, 65 per cent. for the second, and 47 per cent. for the third. The lowest weekly wage named for an adult is twenty-two shillings (as against seventeen shillings in 1833), and the highest thirty-six shillings. But it is the relative rate with which we have to do; and, as the American writer appears to contemplate with a peculiar dread the effect of free trade upon shipping, I further quote Mr. Giffen on the monthly wages of seamen† in 1833 and 1883 in Bristol, Glas-

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\* Progress of the Working Classes During the Last Half Century: in "Essays on Finance." London. 1886. P. 372. †P. 373.

gow, Liverpool, and London. The percentage of increase, since we have passed from the protective system of the Navigation Law into free trade, is in Bristol 66 per cent., in Glasgow 55 per cent., in Liverpool (for different classes) from 25 per cent. to 70 per cent., and in London from 45 per cent. to 69 per cent. Mr. Giffen has given the figures in all the cases where he could be sufficiently certain of exactitude. No such return, at once exact and comprehensive, can be supplied in the case of the rural workman. But here the facts are notorious. We are assured that there has been an universal rise (somewhat checked, I fear, by the recent agricultural distress), which Caird and other authorities place at 60 per cent.† Mr. Giffen apparently concurs; and, so far as my own personal sphere of observation reaches, I can with confidence confirm the estimate and declare it to be moderate. Together with this increase of pay there has been a general diminution of the hours of work, which Mr. Giffen places at one-fifth.‡ If we make this correction upon the comparative table, we shall find that the cases are very few in which the increment does not range as high as from 50 and towards 100 per cent.

In a later essay, of January, 1886,§ Mr. Giffen touches the case of the unskilled laborer. He observes that the aggregate proportion of unskilled to skilled labor has diminished—a fact which of itself forcibly exhibits the advance of the laboring population as a whole. I will not enter upon details; but his general conclusion is this: the improvement is from 70 to 90 per cent. in the wages of unskilled non-agricultural labor. And again, comparing the laborer with the capitalist between 1843 and 1883, he estimates that, while the income from capital has risen in this country from 190 to 400 millions, or by 210 per cent., the working-class income, below the standard which entails liability to income-tax, has risen from 235 millions to 620, or at the rate of 160 per cent. Within the same period the prices of the main articles of popular consumption have not increased, but have

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† P. 575. ‡ Ibid. § Pp. 424, 425.

certainly declined.\* The laborer's charges, except for his abode, have actually diminished as a whole. For his larger house-rent he had a better house. To the government he pays much less than he did, and from the government he gets much more; and "the increase of his money wages corresponds to a real gain."†

Such, then, have been the economical results of free trade as compared with protection. Of its political, moral, and social results, at least so far as they regard the masses of the people, an account in no way less satisfactory could be given, were this the proper occasion for entering on the subject. If it be said that the tale I have told is insufficient, and that wages ought still to rise, this may be so; and rise I hope they will; but protection had no such tale to tell at all. For the working population at large it meant stagnation, depression, in many cases actual and daily hunger and thirst, in some unquestionable and even gross degradation. I will venture to say that, taking the case as a whole, it would be difficult to match in history the picture which Great Britain now presents of progress, achieved mainly through wise laws, from stinted means and positive want towards comfort and abundance for the people.

#### *IV. Protection Viewed in Its First Aspects*

With a view to presenting the argument for leaving trade to the operation of natural laws in the simplest manner, I shall begin with some postulates which I suppose to be incapable of dispute.

International commerce is based, not upon arbitrary or fanciful considerations, but upon the unequal distribution among men and regions of aptitudes to produce the several commodities which are necessary or useful for the sustenance, comfort, and advantage of human life.

If every country produced all commodities with exactly the same degree of facility or cheapness, it would be contrary to common-sense to incur the charge of sending them from one country to another.

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\* P. 405. † Pp. 332, 333.

But the inequalities are so great that (for example) region A can supply region B with many articles of food, and region B can in return supply region A with many articles of clothing, at such rates that, although in each case the charge of transmission has of necessity been added to the first cost, the respective articles can be sold after importation at a lower rate than if they were home-grown or home-manufactured in the one or the other country respectively.

The relative cost, in each case, of production and transmission, as compared with domestic production, supplies, while all remain untrammelled by state law, a rule, motive, or mainspring of distribution which may be termed natural.

The argument of the Free-Trader is that the legislator ought never to interfere, or only to interfere so far as imperative fiscal necessity may require it, with this natural law of distribution.

All interference with it by a government in order to encourage some dearer method of production at home, in preference to a cheaper method of production abroad, may fairly be termed artificial. And every such interference means simply a diminution of the national wealth. If region A grows corn at home for fifty shillings with which region B can supply it at forty, and region B manufactures cloth at twenty shillings with which region A can supply it at fifteen, the national wealth of each is diminished by the ten and five shillings respectively.

And the capitalists and laborers in each of these countries have so much the less to divide into their respective shares, in that competition between capital and labor which determines the distribution between them of the price brought in the market by commodities.

In my view, and I may say for my countrymen in our view, protection, however dignified by the source from which it proceeds, is essentially an invitation to waste, promulgated with the authority of law. It may be more violent and prohibitory, or it may be less; but, up to the point to which it goes, it is a promise given to dear production to shield it

against the competition of cheap production, or given to dearer production to hold it harmless against cheaper; to secure for it a market it could not otherwise hold, and to enable it to exact from the consumer, a price which he would not otherwise pay.

Protection says to a producer, Grow this or manufacture that at a greater necessary outlay, though we might obtain it more cheaply from abroad, where it can be produced at a smaller necessary outlay. This is saying, in other words, waste a certain amount of labor and of capital; and do not be afraid, for the cost of your waste shall be laid on the shoulders of a nation which is well able to bear it. So much for the waste unavoidably attaching to dearness of production. But there are other and yet worse descriptions of waste, as to which I know not whether America suffers greatly from them, but I know that in this country we suffered from them grievously under the sway of protection. When the barrier erected by a protective duty is so high that no foreigner can overleap it, that duty enables the home manufacturer not only to charge a high price, but to force on the consumer a bad article. Thus, with an extravagant duty on foreign corks, we had for our own use the worst corks in Europe. And yet again, protection causes waste of another kind in a large class of cases. Suppose the natural disadvantages of the home producer to equal 15 per cent., but the protective duty to be 30. But cheapness requires minute care, economy, and despatch at all the stages through which production has to pass. This minute care and thrift depend mainly on the pressure of competition. There were among us, and there may be elsewhere, many producers whom indolence tempts to neglect; who are not sufficiently drawn to resist this *inertia* by the attraction of raising profit to a maximum; for whom the prospect of advantage is not enough without the sense of necessity, and whom nothing can spur to a due nimbleness of movement except the fear of not being able to sell their articles. In the case I have supposed, the second 15 per cent. is a free margin whereupon this indolence may disport itself: the home producer is not only covered for

what he wastes through necessity, but for what he wastes from negligence or choice; and his fellow-countrymen, the public, have to pay alike for both. We suffered grievously from this in England, for oftentimes the rule of the producer is, or was, to produce not as well as he can, but as badly as he can, and as well only as he must. And happy are you if, through keener energy or more troublesome conscience in production, you have no similar suffering in America.

If protection could be equably distributed all round, then it would be fair as between class and class. But it cannot possibly be thus distributed in any country until we have discovered a country which will not find its interest in exporting some commodity or other. For the price of that commodity at home must be determined by its price in foreign or unprotected markets, and therefore, even if protective duties are inscribed on the statute-book at home, their effect must remain absolutely null, so far as this particular article is concerned. It is beyond human wit and power to secure to the cotton-grower, or to the grower of wheat or maize in the United States, the tenth part of a cent per bale or per bushel beyond what the price in the markets of export will allow to him. If, under these circumstances, he is required to pay to the iron-master of Pennsylvania, or to the manufacturer at Lowell, an extra price on his implements or on his clothing, for which he can receive no compensation whatever, such extra price is at first sight much like robbery perpetrated by law.

If such be the ugly physiognomy presented, at the present stage of our inquiry, by this ancient and hoary-headed wizard in relation to the claim for equal dealing between class and class, the presumptive case is not a whit better in regard to the aggregate wealth of the nation. Wealth is accumulation; and the aggregate of that accumulation depends upon the net surplus left by the prices of industrial products after defraying out of them the costs of production. To make this surplus large is to raise national wealth to its maximum. It is largest when we produce what we can produce cheapest. It is diminished, and the nation is so far impoverished,

whenever and wherever and to whatever extent, under the cover of protective laws, men are induced to produce articles leaving a smaller surplus instead of articles leaving a larger one. But such is the essence of protection. In England (speaking roughly) it made us produce more wheat at high prices instead of more tissues at low prices. In America it makes you produce more cloth and more iron at high prices instead of more cereals and more cotton at low prices. And your contention is that by making production thus costly you make wages high. To this question let us pass onwards; yet not without leaving behind us certain results which I think you will find it hard to attack, unless it be in flank and rear. Such as these: First, that extra price imposed on class A for the benefit of class B, without compensation, is robbery, and robbery not rendered (in the abstract) more respectable because the state is the culprit. Secondly, that protection means dear production, and dear production means, *pro tanto*, national impoverishment.

But the view of the genuine Protectionist is the direct opposite of all this. I understand his contention to be that protection is (as I should say freedom is) a mine of wealth; that a greater aggregate profit results from what you would call keeping labor and capital at home than from letting them seek employment wherever in the whole world they can find it most economically. But if this really is so, if there be this inborn fertility in the principle itself, why are the several states of the Union precluded from applying it within their own respective borders? If the aggregate would be made richer by this internal application of protection to the parts, why is it not so applied? On the other hand, if the country as a whole would by this device be made not richer, but poorer, through the interference with the natural laws of production, then how is it that by similar interference the aggregate of the states, the great commonwealth of America, can be made, in its general balance-sheet, not poorer, but richer?

What is the value of this argument about keeping capital at home, by means of protection, which, but for protection,

would find its way abroad? The contention seems to be this: capital which could be most profitably employed abroad ought by legal inducement to be inveigled into remaining here, in order that it may be less profitably employed at home. Our object ought to be, not to pursue those industries in which the return is the largest when compared with the outlay, but to detain in this country the largest quantity of capital that we can. Now, here I really must pursue the argument into its hiding-places by testing it in extremes. If the proper object for the legislator is to keep and employ in his country the greatest possible amount of capital, then the British Parliament *exempli gratiâ* ought to protect not only wheat but pineapples. A pineapple is now sold in London for eight shilling-sixpence, which, before we imported that majestic fruit from the tropics, would have sold for two pounds. Why not protect the grower of pineapples at two pounds by a duty of 400 per cent.? Do not tell me that this is ridiculous. It is ridiculous upon my principles; but upon your principles it is allowable, it is wise, it is obligatory—as wise, shall I say? as it is to protect cotton fabrics by a duty of 50 per cent. No; not as wise only, but even more wise, and therefore even more obligatory. Because according to this argument we ought to aim at the production within our own limits of those commodities which require the largest expenditure of capital and labor to rear them, in proportion to the quantity produced; and no commodity could more amply fulfil this condition.

If protection be, as its champions (or victims) hold, in itself an economical good, then it holds in the sphere of production the same place as belongs to truth in the sphere of philosophy, or to virtue in the sphere of morals. In this case, you cannot have too much of it; so that, while mere protection is economical good in embryo, such good finds its full development only in the prohibition of foreign trade. I do not think the argument would be unfair. It really is the logical corollary of all your utterances on the high wages which (as you believe) protection gives in America, and on the low wages which (as you believe) our free trade, now



impartially applied all round, inflicts upon England. But I refrain from pressing the point, because I do not wish to be responsible for urging an argument which tends to drive the sincere Protectionist deeper and deeper into, not the mud, but (what we should call) the mire.

But now I suppose the answer might be that the case which I have put is an extreme case; and that arguments are not well judged by their extremes. In some matters, for instance in moral matters, where virtue often resides in a mean, this may be so. But the laws of economy, which we are now handling, approach much more to the laws of arithmetic; and if your reasoning is that we ought to prefer, among the fields for the investment of capital, what is domestic to what is profitable, it is at least for the Protectionist to show—and he never has shown—why it is worth a nation's while on this account to lose five shillings in the pound, but not to lose (say) ten or fifteen.

I will, however, instead of relying on an unanswered challenge, push the war into the enemy's country. I shall boldly contend that the whole of this doctrine—that capital should be tempted into an area of dear production for the sake or under the notion of keeping it at home—is a delusion from top to bottom. It says to the capitalist, Invest (say) a million dollars in mills or factories to produce yarn and cloth which we could obtain more cheaply from abroad—that is, be it remembered, which could be produced abroad and sent here at a smaller cost of production, or, in other words, with less waste; for all expenditure in production beyond the measure of necessity—call it what we may—is simple waste. To induce him to do this, you promise that he shall receive an artificial instead of a natural price; and, in order that the foreigner may not drive him from the market, this artificial price shall be saddled, through the operation of an import duty, upon the competing foreign commodity; not in order to meet the wants of the state, which is the sole justifying purpose of an import duty, but in order to cover the loss on wasteful domestic production, and to make it yield a profit. And all this in order, as is said, that the

capitalist may be induced to keep his capital at home. But, in America, besides the jealously palisaded field of dear production, there is a vast open expanse of cheap production, namely, in the whole mass (to speak roughly) of the agricultural products of the country, not to mention such gifts of the earth as its mineral oils. In raising these, the American capitalist will find the demand of the world unexhausted, however he may increase the supply. Why, then, is he to carry his capital abroad when there is profitable employment for it at home? If protection is necessary to keep American capital at home, why is not the vast capital now sustaining your domestic agriculture, and raising commodities for sale at free-trade prices, exported to other countries? Or, conversely, since vast capitals find an unlimited field for employment in cheap domestic production without protection, it is demonstrated that protection is not required in order to keep your capital at home.

No adversary will, I think, venture upon answering this by saying that the profits are larger in protected than in unprotected industries. First, because the best opinions seem to testify that in your protected trades profits are hard pressed by wages—a state of things very likely to occur, because protection, resting upon artificial stimulants, tends to disturb and banish all natural adjustment. But, secondly, there can hardly be any votary of protection sufficiently Quixotic to contend that waste ought to be encouraged in economical processes, and the entire community taxed without fiscal necessity, in order to secure to a particular order of capitalists profits higher than those reaped by another order—the public claim (such you hold it) of both resting upon exactly the same basis; namely, this—that they keep their capitals at home.

There is yet another point which I cannot pass without notice. I have not admitted that protection keeps at home any capital which would otherwise go abroad. But I now for the moment accept and reason upon the assumption that this is effected. And I ask—indeed, by the force of argument I may almost require—you to make an admission to

me which is of the most serious character; namely, this: that there is a great deal of capital undoubtedly kept at home by protection, not for the purpose of dear production, which is partial waste, but for another kind of waste, which is sheer and absolute and totally uncompensated. This is the waste incurred in the great work of distributing commodities. If the price of iron or of cotton cloth is increased 50 per cent. by protection, then the capital required by every wholesale and every retail distributor must be increased in the same proportion. The distributor is not and cannot be, in his auxiliary and essentially domestic work, protected by an import duty, any more than can the scavenger or the chimney-sweep. The import duty adds to the price he pays, and consequently to the circulating capital which he requires in order to carry on his traffic, but it adds nothing to the rate of profit which he receives, and nothing whatever to the employment which he gives. This forced increment of capital sets in motion no labor, and is compelled to work in the uncovered field of open trade. It has not the *primâ-facie* apology (such as that apology may be) which the iron-maker or the mill-owner may make, that he is employing American labor which would not otherwise be employed. If the waste under a protective duty of 50 per cent. be a waste of 50 per cent., the waste of the extra capital required in distribution is a waste of 100 per cent. on the cost of the operation; for it accomplishes absolutely nothing on behalf of the community which would not be accomplished equally if the commodity were 50 per cent. less in price; just as the postman distributing letters at a shilling performs no better or other service than the postman distributing letters at a penny. But of distributors the name is legion: they constitute the vast army of the wholesale and retail tradesmen of a country, with all the wants appertaining to them. As consumers, they are taxed on all protected commodities; as the allies of producers in the business of distributing, they are forced to do with more capital what could be done as well with less.

*V. Relation Between Protection and High Wages*

Admitting that we see in the United States a coexistence of high wages with protection, but denying the relation of cause and effect between them, I may be asked whether I am prepared to broaden that denial into an universal proposition and contend that in no case can wages be raised by a system of protection.

My answer is this: A country cannot possibly raise its aggregate wage fund by protection, but must inevitably reduce it. It is a contrivance for producing dear and for selling dear, under cover of a wall or fence which shuts out the cheaper foreign article, or handicaps it on admission by the imposition of a heavy fine. Yet I may for the moment allow it to be possible that, in some particular trade or trades, wages may be raised (at the expense of the community) in consequence of protection. There was a time when America built ships for Great Britain; namely, before the American Revolution. She now imposes heavy duties to prevent our building ships for her. Even my own recollection goes back to the period, between sixty and seventy years ago, when by far the most, and also the best, part of the trade between us was carried in American bottoms. Mr. McKay refers in his letter to a period before the War when she could compete with British labor, but when, as he informs us, your shipwright was paid six shillings a day, whereas now he has fourteen; which means that, as the profits of capital are not supposed to have declined, the community pays for ships more than twice as much as it used to pay, and your ship-builders do a small trade with a large capital instead of doing (as before) a large trade with a (relatively) small capital.

I will not now stop to dilate on my admiration for the resources of a community which can bear to indulge in these impoverishing processes; nor even to ask whether the shipwright in the small trade has the same constancy of wage as he had in the large one, or whether his large receipt is countervailed by his large outlay on the necessities and comforts of life. But I will look simply to the question

whether protection in this case raises wages. I do not undertake to say it is, in a limited way, impossible. If it be true, the steps in the process are, I conceive, as follows: America absolutely requires for her own use a certain number and tonnage of vessels. Congress lays such duties upon foreign ships and materials that they shall not be obtained from abroad at less than double the price at which they are sold in the open market. Therefore the American ship-builder can force his countrymen to pay him any sum, not exceeding two prices, for his commodity. The remaining point is the division of the amount between the capitalist and the workman. That is governed by the general state of the labor market in the country. If the labor market, although open to the world, is insufficiently supplied, then the wage-earner may possibly, in a given case, come in for a share of the monopoly price of ships. If the handwork be one requiring a long apprenticeship (so to call it), and thereby impeding the access of domestic competitors, this will augment his share. Then why not the like, some one will ask, in all cases? Because the community in the given case pays the price of the monopoly—that is to say, throws the price to waste, and because, while a trader in a multitude of commodities may lose upon one of them, and yet may have a good balance-sheet upon the whole, he must not and cannot lose upon them all without ceasing to be a trader; and a nation, with respect to its aggregate of production, is as a single trader.

Without, then, absolutely denying it to be possible that in some isolated and exceptional cases there may be a relation between protection (and all protection, so far as it goes, is monopoly) and high wages, I contend that to refer generally the high rate of wages in the United States to this cause would be nothing less than preposterous. And on this part of the case I desire to propound what appears to me to be in the nature of a dilemma, with some curiosity to know how the champions of protection would be disposed to meet it. Let me assume, for the purpose of trying the issue, that one-half of the salable products of the United States are

agricultural and one-half manufactured, and that the manufactured moiety are covered by protection, while the agricultural half, since they are articles of large export, bear only such a price as is assigned to them by foreign competition in the markets where they are sold. I take this rough estimate for the sake of simplicity, and in the same view I overlook the fact that the sugar which you grow is still covered, as it used to be covered, by an operative protection. One-half, then, of American labor enjoys protective wages; the other half of the products of the United States is furnished by mere "free-trade toilers." Now, I want to ask whether the wages of the agricultural half are raised by the existence of protective laws which cover the artisan half. This you cannot possibly affirm, because it is an elementary fact that (given the quantity of labor in the market) they are governed by the prices of the commodities they produce, and that those prices are free-trade prices. You have "free-trade toilers" all over your country, and by their side you have protected artisans. I ask, then, next, this question: Is the remuneration of the "free-trade toilers," all things taken into account, equivalent to that of the protected artisans? If it is not, why do not the agricultural men pass over into the provinces of demand for manufacturing and mining labor, and, by augmenting the supply, reduce and equalize the rate? Which is like asking, How comes it that a man is content with one loaf when two are offered him? The answer would be, He is not content: whenever he can, he takes the two and leaves the one. It follows that in this case there exists no excess of wage for him to appropriate. The loaf, meaning by the loaf not a mere money rate, but that money rate together with all its incidents of all kinds, is equal as between the protected and the unprotected laborer. The proportions of the two kinds of labor are governed in the long run (and perhaps in America more certainly and rapidly than anywhere else) by the advantages attaching to each respectively. In other words, the free-trade wages are as good as the protected wages; and (apart from small and exceptional cases) the idea that protection raises the

rate of wages on any large scale or in any open field is an illusion.

But I proceed to consider the vast exceptional advantages which as a country the United States enjoy; which enable them to bear the process of depletion that, through the system of protection, it is their pleasure to undergo, and which for them cause the question to be one not of absolute retrogression, but only of hampered and retarded progress.

*VI. On the Reasons Why Protection Only Injures, and Does Not Ruin the United States*

I hold that dear production, even if compensated to the producer by high price, is a wasteful and exhausting process. I may still be asked for a detailed answer to the question, "How, then, is it that America, which, as you say, makes enormous waste by protection, nevertheless outstrips all other countries in the rapid accumulation of her wealth?" To which my general answer is that the case is like that of an individual who, with wasteful expenditure, has a vast fortune, such as to leave him a large excess of receipts. But for his waste that excess would be larger still.

I will, then, proceed to set forth some of the causes which, by giving exceptional energy and exceptional opportunity to the work of production in America, seem to allow (in homely phrase) of her making ducks and drakes of a large portion of what ought to be her accumulations, and yet, by virtue of the remainder of them, to astonish the world.

1. Let me observe, first, that America produces an enormous mass of cotton, cereals, meat, oils, and other commodities, which are sold in the unsheltered market of the world at such prices as it will yield. The producers are fined for the benefit of the protected interests, and receive nothing in return; but they obtain for their country, as well as for the world, the whole advantage of a vast natural trade—that is to say, a trade in which production is carried on at a minimum cost in capital and labor as compared with what the rest of the world can do.

2. America invites and obtains in a remarkable degree from all the world one of the great elements of production, without tax of any kind—namely, capital.

3. While securing to the capitalist producer a monopoly in the protected trades, she allows all the world to do its best, by a free immigration, to prevent or qualify any corresponding monopoly in the class of workmen.

4. She draws upon a bank of natural resources so vast that it easily bears those deductions of improvidence which simply prevent the results from being vaster still.

Let me now mention some at least among those elements of the unrivalled national strength of America which explain to us why she is not ruined by the huge waste of the protective system. And first of these I place the immense extent and vastness of her territory, which make her not so much a country as in herself a world, and not a very little world. She carries on the business of domestic exchanges on a scale such as mankind has never seen. Of all the staple products of human industry and care, how few are there which, in one or another of her countless regions, the soil of America would refuse to yield. No other country has the same diversity, the same free choice of industrial pursuit, the same option to lay hold not on the good merely, but on the best. Historically, all international trade has had its broadest basis in the interchange between tropical or southern commodities and those of the temperate or northern zone. And even this kind of exchange America possesses on a considerable scale within her own ample borders.

Apart from this wide variety, I suppose there is no other country of the whole earth in which, if we combine together the surface and that which is below the surface, Nature has been so bountiful to man. The mineral resources of our own Britannic Isle have, without question, principally contributed to its commercial preëminence. But when we match them with those of America, it is Lilliput against Brobdingnag. I believe that your coal-field, for example, is to ours nearly in the proportion to thirty-six to one. Now, this vast aggregate superiority of purely natural wealth is



simply equivalent to the gift, say, of a queen in a game of chess, or to a start allowed in a race by one boy to another; with this difference: that America could hold her own against all comers without the queen, and that, like her little Lord Fauntleroy, she can, if she likes, run the race, and perhaps win it, upon equal terms. By protection she makes a bad move, which helps us to make fight, and ties a heavy clog upon her feet, so that the most timid among us need not now to greatly dread her competition in the international trade of the world.

Again, the international position of America may, in a certain light, be illustrated by comparing together the economical conditions under which coal has been produced in the different districts of this island. The royalty upon coal represents that surplus over and above estimated trading profit from a mine which the lessee can afford to pay the landlord. In England, generally, royalties have varied from about sixpence a ton to ninepence in a few cases; scarcely ever higher. But in Staffordshire, owing to the existence of a remarkable coal-measure, called the ten-yard coal, and to the presence of ironstone abundantly interstratified with the coal, the royalty has often amounted to no less than three shillings. This excess has a real analogy to the surplus bounty of Mother Earth in America. And when I see her abating somewhat of her vast advantages through the trick of protection, I am reminded of the curious fact that (as it happens) this unusual abundance of the mineral made the getting of it in Staffordshire singularly wasteful, and that fractions, and no small fractions, of the ten-yard coal are now irrecoverably buried in the earth, like the tribute which America has, and has, as it seems, contentedly, been paying to her protected interests.

In most of the elements of cheapness, America, wholly surpasses us; as, for example, in the natural, indefeasible advantages she enjoys through the vastness not only of the soils which produce, but of the markets which consume, her productions. I have lately seen a penny periodical, published by Messrs. Harper, of New York, which far surpasses

all that the enterprise and skill of our publishers have been able to produce. But all these *plus* quantities she works hard to convert into *minuses* through the devouring agency of protection.

There are two other particulars which I have to notice before quitting this portion of the subject. Each of them involves a compliment—the one to us, the other to yourselves. As there is an invidious element in all self-praise, I will get rid first of what touches us. It is this: Trade is, in one respect at least, like mercy. It cannot be carried on without conferring a double benefit. Again, trade cannot be increased without increasing this benefit, and increasing it (in the long run) on both sides alike. Freedom has enormously extended our trade with the countries of the world, and, above all others, with the United States. It follows that they have derived immense benefit, that their waste has been greatly repaired, their accumulations largely augmented, through British legislation. We have not on this ground any merit or any claims whatever. We legislated for our own advantage, and are satisfied with the benefit we have received. But it is a fact, and a fact of no small dimensions, which, in estimating the material development of America, cannot be lost sight of.

My second point touches the circumstances of the national infancy and growth. It would be alike futile and unjust, in pointing out the singular advantages over the outer world which nature has given to America, not to take notice of those advantages which her people have earned or created for themselves. In no country, I suppose, has there been so careful a cultivation of the inventive faculty. And if America has surpassed in industrial discoveries the race from which her people sprang, we do not grudge her the honor or the gain. Americans are economists in inventions and do not let them slip. For example, the reaping-machine of modern times, I believe, was invented in Forfarshire, but did not pass into any general use. Still-born there, it disappeared; but it was appreciated and established in America, and then came back among us as an importation from

thence, and was at last appreciated and established here. The scarcity of labor has, in truth, supplied the great Republic with an essential element of severe and salutary discipline.

The youth of America was, especially in New England, a youth not of luxury, but of difficulty. Nature dealt somewhat sternly with your ancestors; and to their great advantage. They were reared in a mold of masculine character, and were made fit to encounter, and turn to account, all vicissitudes. As the country opened, they were confronted everywhere with one great and crying want, the scarcity of labor. So they were put upon the application of their mental powers to labor-saving contrivances, and this want grew as fast as, or faster than, it was supplied. Thus it has come about that a race endued with consummate ability for labor has also become the richest of all races in instruments for dispensing with labor. The provision of such instruments has become with you a standing tradition, and this to such a degree that you have taken your place as (probably) the most inventive nation in the world. It is thus obvious enough that a remarkable faculty and habit of invention, which goes direct to cheapness, helps to fill up that gap in your productive results which is created by the wastefulness of protection. The leakage in the national cistern is more than compensated by the efficiency of the pumps that supply it.

America makes no scruple, then, to cheapen everything in which labor is concerned, and she gives the capitalist the command of all inventions on the best terms she can contrive. Why? Only because this is the road to national wealth. Therefore, she has no mercy upon labor, but displaces it right and left. Yet when we come to the case where capital is most in question, she enables her ship-builders, her iron-masters, and her mill-owners to charge double or semi-double prices; which, if her practice as to labor-saving be right, must be the road to national poverty. *E converso*, if she be right in shutting out foreign ships and goods to raise the receipts of the American capitalist, why does she

not tax the reaping-machine and the American "devil"\* to raise the receipts of the American laborer? Not that I recommend such consistency. I rejoice in the anomalies and contradictions by virtue of which the applications of science everywhere abound through the states for the benefit of their populations, and without doubt, though more circuitously, of ours also, and of the world at large.

I have still to notice one remaining point. It is this: I do not doubt that production is much cheapened in America by the absence of all kinds of class legislation except that which is termed protection; an instance alike vicious and gigantic, but still an instance only. In our British legislation, the interest of the individual or the class still rather largely prevails against that of the public. In America, as I understand the matter, the public obtains full and equal justice. I take for example the case of the railroads; that vast creation, one of almost universal good to mankind, now approaching to one-tenth or one-twelfth of our entire national possessions. It is believed that in unnecessary Parliamentary expenditure, and in abnormal prices paid for land, the railways of this country were taxed to between fifty and a hundred millions sterling beyond the natural cost of their creation. Thus does the spirit of protection, only shifting its form, still go ravening about amongst us. Nothing is so common here as to receive compensation; and we get it not only for injuries, but for benefits. But while the great nation of the Union rightly rejoices in her freedom from our superstitions, why should she desire, create and worship new superstitions of her own?

#### *VII. The Moral Aspect of the Subject*

I am sorry to say that, although I have closed the economical argument, I have not yet done with the counts of my indictment against protection. I have, indeed, had to ask myself whether I should be within my right in saying hard things, outside the domain of political economy, about a

\*So called here on its first introduction. I rather believe it has recently acquired some more euphonious name.

system which has commended itself to the great American state and people, although those hard things are, in part at least, strictly consequent upon what has been said before. Indeed, the moral is so closely allied to the economical argument as to be intertwined with it rather than consequent upon it. Further, I believe the people of the United States to be a people who, like that race from which they are sprung, love plain speaking; and I do not believe that to suppress opinions deliberately and conscientiously held would be the way to win your respect.

I urge, then, that all protection is morally as well as economically bad. This is a very different thing from saying that all Protectionists are bad. Many of them, without doubt, are good, nay, excellent, as were in this country many of the supporters of the Corn Law. It is of the tendencies of a system that I speak, which operate variously, upon most men unconsciously, upon some men not at all; and surely that system cannot be good which makes an individual, or a set of individuals, live on the resources of the community and causes him relatively to diminish that store, which duty to his fellow-citizens and to their equal rights should teach him by his contributions to augment. The habit of mind thus engendered is not such as altogether befits a free country or harmonizes with an independent character. And the more the system of protection is discussed and contested, the more those whom it favors are driven to struggle for its maintenance, the farther they must insensibly deviate from the law of equal rights, and, perhaps, even from the tone of genuine personal independence.

In speaking thus, we speak greatly from our own experience. I have personally lived through the varied phases of that experience, since we began that battle between monopoly and freedom which cost us about a quarter of a century of the nation's life. I have seen and known, and had the opportunity of comparing, the temper and frame of mind engendered first by our protectionism, which we now look back upon as servitude, and then by the commercial freedom and equality which we have enjoyed for the last

thirty or forty years. The one tended to harden into positive selfishness; the other has done much to foster a more liberal tone of mind.

The economical question which I have been endeavoring to discuss is a very large one. Nevertheless, it dwindles, in my view, when it is compared with the paramount question of the American future viewed at large. There opens before the thinking mind when this supreme question is propounded a vista so transcending all ordinary limitation as requires an almost preterhuman force and expansion of the mental eye in order to embrace it. Some things, and some weighty things, are clear so far as the future admits of clearness. There is a vision of territory, population, power, passing beyond all experience. The exhibition to mankind, for the first time in history, of free institutions on a gigantic scale, is momentous, and I have enough faith in freedom, enough distrust of all that is alien from freedom, to believe that it will work powerfully for good. But together with and behind these vast developments there will come a corresponding opportunity of social and moral influence to be exercised over the rest of the world. And the question of questions for us, as trustees for our posterity, is, What will be the nature of this influence? Will it make us, the children of the senior races, who will have to come under its action, better or worse? Not what manner of producer, but what manner of man, is the American of the future to be?

I am, I trust, a lover of human advancement; but I know of no true progress except upon the old lines. Our race has not lived for nothing. Their pilgrimage through this deeply shadowed valley of life and death has not been all in vain. They have made accumulations on our behalf. I resent, and to the best of my power I would resist, every attempt to deprive us either in whole or in part of the benefit of those accumulations. The American love of freedom will, beyond all doubt, be to some extent qualified, perhaps in some cases impaired, by the subtle influence of gold, aggregated by many hands in vaster masses than have yet been known.

Aurum per medios ire satellites,  
Et perrumpere amat saxa, potentius  
Ictu fulmineo.

But, to rise higher still, how will the majestic figure, about to become the largest and most powerful on the stage of the world's history, make use of his power? Will it be instinct with more life in proportion to its material strength! Will he uphold and propagate the Christian tradition with that surpassing energy which marks him in all the ordinary pursuits of life? Will he maintain with a high hand an unfaltering reverence for that law of nature which is anterior to the Gospel, and supplies the standard to which it appeals, the very foundation on which it is built up? Will he fully know, and fully act upon the knowledge, that both reverence and strictness are essential conditions of all high and desirable well-being? And will he be a leader and teacher to us of the old world in rejecting and denouncing all the miserable degrading sophistries by which the arch-enemy, ever devising more and more subtle schemes against us, seeks at one stroke perhaps to lower us beneath the brutes, assuredly to cut us off from the hope and from the source of the final good? One thing is certain: his temptations will multiply with his power; his responsibilities with his opportunities. Will the seed be sown among the thorns? Will worldliness overrun the ground and blight its flowers and its fruit? On the answers to these questions, and to such as these, it will depend whether this new revelation of power upon the earth is also to be a revelation of virtue; whether it shall prove to be a revelation of virtue; whether it shall prove a blessing or a curse. May heaven avert every darker omen, and grant that the latest and largest growth of the great Christian civilization shall also be the brightest and the best!

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**Moral Aspect of the Protective Tariff. David Starr Jordan.**

Every argument for and against the protective tariff has been stated a thousand times. There is nothing new to be said. But at the bottom of every argument remains the necessary recognition of its primal iniquity. The fundamen-

tal idea in American polity is that of a square deal to all men, each standing on his own feet, with exclusive privileges or governmental aid to no man and to no class of men. Inequality before the law, entail, primogeniture, church control of state, state control of church, class consciousness and class legislation were evils in English polity which our fathers would not tolerate. On account of these they left England. They chose the hardships of Plymouth Rock and later the hazards of war rather than to put up with any of them. If there is one American idea or ideal to be segregated from the rest it is this of equality before the law. And it is this ideal which is violated absolutely and continuously in the theory and in the practice of the protective tariff.

The protective tariff is a device for enhancing the home price of the articles it covers by a tax on commerce, by forcing the body of citizens to pay tribute to producers at home. To these the state in futile fashion tries to guarantee "a reasonable profit." These producers may be capitalists or directors of industry, or they may be the laborers who contribute effort only, without responsibility for the way in which effort may be applied. It matters not whether capitalists or laborers, either or both actually profit at your expense or mine or that of foreign producers. The protective tariff intends that they should thus profit, at least to a reasonable degree. But in the theory of our republic it is no part of the state to guarantee to any one "a reasonable profit," nor to protect any one from a reasonable loss. Its function is to see fair play and freedom of operation. It is a breach of the principle of equality before the law that the state should do anything more. To guarantee any one a reasonable profit is to do so at the expense of the rest. The theory is one of injustice, whatever its result in practice. In practice, whatever is gained on the one hand is lost on the other. Even if we could force foreigners to pay the tariff taxes, which is sometimes possible, their capacity as buyers is correspondingly decreased. International trade is barter, and every burden it carries works a corresponding loss to both



parties in the transaction. Moreover, as a matter of fact, the protective tariff yields little gain to the laborer, because continued immigration brings him new competitors and because he is in his turn one of the general public who suffer from the commerce tax. If wages are raised by the tariff, so is the cost of living, and the cost of living comes first. For the director or employer of labor, the case is, on the whole, not much better, because the cost of his product is enhanced by the tariff taxes on everything which enters into his process of manufacture. In so far as a tariff is successful in gaining profit, it is so because it is virtually prohibitory. That the evils of prohibitory tariffs are so little felt by us is due to the fact that our country is a world in itself, with untaxed trade throughout a district comprising nearly a third of the specialized production area of the globe. Yet within this favored area, with all its vast range in competition, it is possible sometimes to monopolize production in some particular direction. Such a monopoly we now call a trust. To the development of such monopolies the tariff naturally lends itself, tho it would be unfair to declare it to be the parent of all trusts. It is enough to recognize that its general purpose is the same—the development thru legal means of industrial and economic monopoly, of the enrichment of a class or of a group of classes at the expense of the citizens at large. This is theoretically contrary to American polity. If the principles of our republic in regard to “equal justice to all, exclusive privileges to none,” are right, then the theory and the practice of the protective tariff are wrong. That it works thru the method of indirect taxation disguises but does not justify its injustice.

The prohibitory tax on importable products is said to have brought its justification in the ultimate lowering of price of the articles concerned. The same claim is made in behalf of the trusts, and much evidence is brought forward in both cases to justify this claim. But the real cause of the reduction in price is seldom traceable to the trust or the tariff. Doubtless, for example, iron is cheaper in this

country under a high tariff than it once was without the tariff. But the cheapening of all metals, protected and unprotected, is held to depend on the advance of the science and the arts of metallurgy. The cheapening of gold, a metal out of the range of tariff, is due to improved processes of contraction, and the change threatens to subvert the monetary basis of the world's credit and trade. Metals which have been cheapened in the United States have been similarly affected in England. It is not clear that the tariff in this matter holds any important relation of cause to effect. Nor would the general policy of taxing one group of men, or even one generation for the benefit of the next, be justified if it were so.

The tariff is defended on the ground of the value to the growing nation of the advancement of infant industries—of the development of diversified economies. We may not deny the importance of such development. We may admit that at many places and for definite periods there has been a financial gain to the community at large, thru taxing the farmer to build up the manufacturer. We may admit that nation building has been hastened by it. But for all that it is not politically right nor just to do this, for the gain to one has gone with loss to others. The policy in practice assumes the form of a vested right which becomes in time a vested wrong. But even if we admit the past value of protection, the greater evil comes when we cannot let go. Around these vested rights other conditions grow up, and a change of any sort works havoc with related or associated interests. Justice to the new interests becomes possible only by the perpetration of varied forms of injustice. To touch the tariff in any way now sends a shock thru the financial world, throuout the body politic. Tariff revision in our day is therefore an operation which can be based on no principles. It is a blind rush among various choices of evils. To put revision in the hands of friends of the tariff means still suppression of reform, the further extension of the evil itself. To put revision into other hands means a commercial crisis. And sooner or later commercial

crisis must come. The only permanence lies in making tariff taxation like other taxation, a non-respecter of persons, its sole function that of raising revenue. Justice is always blind, knowing nothing of indirect or ulterior advantages.

Historically, the theory of the infant industry has proved fallacious. There are in America today no infant industries. These infants have grown more rapidly than the nation has. Our huge industrial combinations overshadow the world. Just as in their alliance they dominate us, in similar degree they have the whip hand over other nations. If anything American can take care of itself, it is our infant industries. Yet these organizations demand the tariff as a necessity of existence as insistently as ever they did. They exact tribute from all of us, because they can get it. The lull in the self-assertion just at present is due to the handwriting on the wall, not to any lessening desire to be fed at the public expense.

The actual injury to American prosperity traceable to the tariff may not be enormously great. It has doubtless been exaggerated. It lends itself to exaggeration. It makes us angry when we think of it, and wrath carries always a magnifying glass. Its greatest evil is moral, not economic. It lies in the perversion of our theories of government, the introduction of the idea of class enrichment thru legislation.

—Doubtless much of the prosperity of the United States is due to the protective tariff—the prosperity of some of us. But in like degree the non-prosperity of some of us, some of the very same persons, for that matter, is due to the same national meddling with individual rights. The apparent prosperity of any community could be greatly enhanced by taking property away from half the people to put it into the hands of the others who know better how to use it. Some of this sort has lain at the foundation of British polity. It is the theory by which nobility and aristocracy justify themselves. It is not the theory of democracy. It is not the principle on which our nation was founded. Thus, behind all discussion of sources and

means of prosperity the fact remains that democratic justice, that fundamental equity between man and man, can never be realized in America so long as any trace of the protective tariff remains on our statute books. It is another illustration of the truth that "they enslave their children's children who make compromise with sin." This law applies to economic lapses, to time-serving legislation, as well as to moral sins.

**Westminster Review. 164: 124-34. August, 1905.**

Re-statements of Economic Tendencies. David H. Wilson.

When the average elector is called upon to give an opinion on the Tariff question he has but a vague perception of the principle of Protection, of the conditions involved in its culture, and of its far-reaching tendencies. For (1) he is misled by the term "Fiscal Reform"; (2) his mind is diverted from the responsibility of disturbing the natural play of economic principles that have long and successfully stood the test of experience, by being told that the proposed tariffs involve only partial changes, the burden of which would fall upon the foreigner. At the same time he is alarmed by the cry of the so-called Fiscal Reformer that the re-adjustment of Tariffs demands our immediate attention, if we would avert a national catastrophe. (3) He is told that such changes would produce certain effects, without being shown the causal relation between them. The effects are said to be specially advantageous to producers, who, desirous of securing any extra gain, accept such assurance without critical inquiry as to its justification. Others, too, as the friends of producers, approve the changes proposed, and are less critical because of their remoter interest. Others, again, with no direct interest as producers, are not opposed to taxation of the necessities of life, on the ground that such a measure, falling (as it is alleged) equally upon all classes, would so enrich the Exchequer that it would probably have the effect of reducing direct

taxation on income, which makes the proposals appeal to their own interests. And, further (4) it is asserted that political economy is an elastic science, which should be adapted to the changes of circumstances, and therefore that its principles vary with the times. In other words, that there are principles which belong to no science; or that there is a science which has no principles.

Under these circumstances, it may serve a useful purpose to re-state some of the simpler issues of Protection, and to indicate some of the fallacies concerning the tendency of economic laws. This inquiry will show, we believe, that the true science of exchange is based upon principles which have been either misstated, or lost sight of, by those who pretend that the effects of economic laws may be determined, and regulated, by legislation.

It seems superfluous to point out that the proposals of Tariff Reform are Fiscal only in name, since those of their advocates who have the courage to speak plainly have expressly stated that they are intended at the same time to "protect" home industries, and, therefore, to benefit the country at large.

Now these two designs—taxing for revenue, and taxing for "Protection,"—are mutually opposed; for it is clear that the interest, simply, of the Exchequer is to secure as large a revenue as possible to meet the necessities of the state, which in a country with large expenditure can only be done by high taxation. On the other hand, it is the interest of the producer, as a producer, to be taxed as lightly as possible, so that he may turn out his commodities as cheaply as possible. He has some control over their cost of production by the labour-saving appliances he may employ, his resources of economical administration, his skill in utilising waste products, and so on; but simply as a producer he has no control over market prices. These latter, depending upon supply and demand, are determined without him. But it is said that Protection will give him that control; it will limit competition for his benefit. If then the state will benefit, and the producer will benefit, out of

whose pocket will these gains come? The producer will not gain by simply adding the amount of the tax to the original cost of his commodities (including his original profit). To gain by the protective tax he must add an *extra* profit, and this extra profit can only be paid by the consumer.

So the public at large would pay not only the fiscal tax, but also the interest on it to the producer for having advanced its payment, and, in addition, his extra profit.

When the public pay a genuine fiscal tax—that is, a tax for revenue, they effect an exchange of services with the state. In exchange for the amount of the tax, the state gives them the service of maintaining public order, of protecting property and person, of cheap postage, and so forth. But to whatever extent they pay more than this—that is, give more than service for service, they pay so much for nothing. They gain nothing from the producers, for the latter give them neither more nor better commodities than they obtained before the Protective tax. Indeed, they are losers, for, by contributing to the restriction of competition, they actually enable producers to create monopolies, and so to enter into combinations against them. A Protective tax, then, tends to disturb the natural economic laws which determine prices; for, by increasing the price of commodities it tends to diminish the demand for them, and by restricting competition it tends to diminish their supply.

Is it necessary to point out that if Protection be accorded to one industry, it must be accorded to many, if not all, industries? Is not the continually extending field of taxation in protected countries a proof of this? And this must be noted, that as the number of protected industries increases, so each producer is more and more injured; because producers are also consumers, and so have to pay more for all the things they need which they do not themselves produce; and, further, as capitalists, they will have to pay in the long run higher wages, since those in their employ are also consumers, and are injured from the same cause as themselves.

Does the average elector who is willing to pay a tax on

bread under the impression that he will be thereby aiding the British farmer, realise that the bread tax will infallibly lead to other taxes which will in the end force him to pay more for all the necessities and enjoyments of life?

But we are told that if food be taxed wages will rise, and, therefore, with higher wages the worker will possess a larger purchasing power. This statement asserts that the wage earner after the imposition of such taxes will be able to purchase a larger number of commodities than before such imposition. We shall, however, show that the subject is only partially viewed; that the assumption is based upon a fallacy; and that the true tendency of the economic laws at work is lost sight of. Let us consider the matter. The statement that if food be taxed wages will certainly rise out of proportion to the rise occasioned by taxation, assumes that the rate of wages is based upon the price of food, independently of other considerations. This is a generalisation which is fallacious. Wages are determined by the relation of demand for labour, to supply of labour. When the demand is greater than the supply, wages are high. When demand for and supply of labour are equally balanced, wages are natural or average. When the supply exceeds the demand, the wages that obtain are minimum wages. A minimum wage is that return for labour which just enables the worker to live, clothe, and house himself. It will be seen, therefore, that the price of food is only one of the factors which determine wages. In what way is it a factor at all? In the case where wages are high, or average, the prices of the necessities of life affect them indirectly. If there should be, from any cause, only a slight increase in the price of food, wages would fall, because, so long as there is a sufficient margin of wages above the minimum wage (the ratio of demand for and supply of labor being constant, the burden of any increase in the price of food must be met out of that margin and so fall on the wage earner. The purchasing power of the wages after the rise in the price of food would be less than before such rise—that is, wages would fall. But suppose

that from any cause the prices of the necessities of life were so increased as to force the emigration of labour from the country, or from one industry to another, then this emigration, by diminishing the labour supply, would tend to raise wages; this effect being also an indirect one. So taxation of the necessities of life in these cases tends either to cause wages to fall, or to rise at the expense of displacing labour, and thus disorganising the labour market. We may in passing remark that this displacement is an injurious displacement, and must not be confounded with the liberation of labour consequent upon the introduction of machinery. For, in the latter case, the economy of labour is balanced by the economy effected of capital, so that the labour freed from an industry by the introduction of machinery reaps, in one way or another, in the general labour market, the benefit of the capital, which, being economised by the same cause, is also freed.

Unless we could by legislation regulate population and restrain the liberty of individuals we could not by any artificial arrangement maintain high wages, for the natural economic law is always at work that there is a constant tendency for labour to flow into markets where high wages obtain. So, too, there is a constant tendency for labour to flow out of markets where very low wages obtain in search of more remunerative employment. Hence, both these influences tend to establish in every branch of industry by the law of supply and demand a natural or average wage. In the case, however, where wages are at a minimum rate an increase in the price of the necessities of life would raise wages directly, for if it had not that effect—if, that is to say, the wage earner had to bear the increased burden—his wages would fall below the minimum, which is impossible, since below the minimum wage he could not live. To what extent then does the increased cost of living increase his wages? and out of whose pocket does this increase come? By a simple illustration we can answer this question. Suppose a farm labourer to earn a minimum wage of 15s. a week. By a tax on food his cost of living is raised



from 15s. to 18s. a week. His wages, therefore, must rise 3s., which will be paid in the first instance by his employer, and ultimately, of course, by the consumer. But the wage earner would be no better off than he was before. The minimum wage would have risen, but it would still only supply his absolute necessities. As a tax on food is advocated by many as a tax for revenue, it may be well to note what this extra 3s. (which comes out of the consumer's pocket) comprehends. It certainly does not all go into the Exchequer—even allowing for cost of collection. This 3s. is the fiscal tax on foods paid by the original producers, *plus* interest on it to all the intermediary distributors between them and the consumer. Thus, the farmer who advances the tax on corn has to charge interest on such advancement to the miller; the miller has to charge the baker interest on the advance which he has paid to the farmer; and the baker, having paid the tax, *plus* the farmer's and miller's interest, has to charge interest on his advance to the consumer. So the consumer pays the fiscal tax to the state, and, in addition, other impositions for which he gets in exchange no services whatever. We have shown that, in the case of high and average wages, a tax on food, acting indirectly, would lower wages by reducing their relative purchasing power—a reduction which would not, of course, benefit the employers. This could only happen so long as the labour market was undisturbed. But such disturbance would certainly be produced by an all-round taxation of the necessities of life: and, indeed, partial taxation of this nature would always *tend* to produce such disturbance. If the farmer is to gain by taxation of a food he produces it must be by an appreciable taxation that falls also upon all substitutes for that food. So a disturbance, created in the ratio of demand for and supply of labour by increasing the cost of living, would as Adam Smith puts it, "by raising the wages of labour, necessarily tend to raise the price of all manufactures."

The position of the farmer is well stated in a work by

Mr. Drummond, the founder of the Chair of Political Economy in the University of Oxford. He says:

"It is the interest of all capitalists to have the necessaries of life, and consequently corn amongst the rest, cheap, because their labourers will then be contented with lower wages. A farmer's gain cannot be permanently greater than that of other capitalists. Even during the currency of a lease, a rise in the price of corn is not always an advantage to him: for if there be a general rise in the price of all other commodities also at the same time, he must give a corresponding increased price for his coats, hats, horses, sheep, cattle, &c., and, unless during the currency of a lease, he has no interest whatever in high prices, because competition will effectually prevent him from deriving more than a very temporary advantage from them. He has, however, in common with all other capitalists, a very strong interest in high profits; and it is not possible that profits should be high for a long period together, when the necessaries of life are dear. A high price of corn therefore not only is not beneficial to the farmer as such, but it is positively injurious to him. He is injured in two ways: first as a consumer of corn with the rest of the community, by having to consume a dear instead of a cheap commodity; and secondly, he is injured in a still greater degree, as an owner of capital, by being compelled to give high wages to all the labourers he employs."

We are told that the foreigner "dumps" his goods on our markets, but does not take our goods in exchange for them, but instead impoverishes our country by carrying off our money. But what of that? He does not *steal* our money—and this is the point that is lost sight of. He buys our money: in other words, he exchanges his services for services which others have exchanged for ours. Suppose A. agrees with his employer B. that he will give B. so much of his services in overtime, if B. in exchange for such services will give him 100 British cigars. When the work is done, B., instead of giving A. 100 cigars, gives him 20s., the money value of them. That money represents a chain of services of indefinite length, of which the last term is B.'s service to A., or otherwise, potential cigars. A foreigner appears upon the scene with 100 foreign cigars, which, price for price, are of better value than British-made cigars, and he offers them to A. for 20s. A. exchanges his money (potential cigars) for the foreign cigars, and the foreigner departs with the coin to his native land. Here is a case of "dumping" a foreign commodity on the British market, of no British goods being taken in exchange for it, and of British money being taken out of the country.

But who is any the worse off for it? Certainly not A., the British subject, for he has got better cigars for the same money. So far as he is concerned, he stands in the same position as if B. had paid him for his overtime in British cigars, which he, A., had afterwards exchanged with the foreigner for the better foreign ones—in which case the inferior cigars (instead of money) would have gone out of the country. Since, however, commerce could not rest on such unstable foundations as unequal and arbitrary exchanges, there could be no prevalence of such cases, and therefore A. would gain by exchanging in money, and not in kind.

But it will be objected that this foreign “dumping” ruins the trade of British cigar-makers. If foreign cigars are superior to British-made ones, and if the foreigner is allowed a free market for his goods here, who would buy the home-made article? It is just this line of thought that makes Protectionists. Self-interest will make a Protectionist of the cigar-maker; and other producers, placing themselves in imagination in his position, will go over to his views. Protection then is the armour which the producer looks to to guard him from foreign competition, and in the measure that it so protects his interest it acts against the interest of the consumer, which lies in buying the best commodities in the cheapest markets. There is only one way whereby British producers may shut out foreign competition, and at the same time guarantee to the British consumer all the advantages of exchange which he expects, and is entitled to, and that is by supplying him with commodities at least as good, and at least as cheap, as the foreigner can offer. Let consumers once understand this, and they will know what to think when the producing class tries to persuade them that the public weal may be better secured by closing our markets to foreign competition. But we are told that foreigners “dump” on us commodities that are inferior to our own. So Protection is intended to protect consumers, no less than producers: to prevent the public from purchasing inferior goods, even though cheap, by

shutting all such cheap and nasty commodities (of foreign make) from our markets! In other words, it is proposed to regulate and limit the wants, desires, and tastes of the community by legislation: and it is to this *reductio ad absurdum* that the theory of restriction logically leads. The fact that foreign commodities, bad, good, cheap, or dear, are "dumped" upon our markets, shows that British consumers want them. When we no longer want them, they will be "dumped" no more. Political economy has to do with the principles which govern the working of the mechanism Man-in-a-social-state. The Protectionist, like a quack-doctor, pretends that he can make that machine work better than Nature can, by substituting for her principles some nostrums of his own. But natural laws are always endeavoring to assert their authority, and the more they are opposed by artificial obstacles, the more disastrous will this conflict be to the machine.

The assertion that a tax on exports would be paid by the foreigner, while we should gain the advantage of it as revenue, is based upon the assumption that such tax, although making our commodities dearer to the foreign importer, by the amount of the tax (and something in addition by way of interest on his additional outlay), would not diminish our export trade. But this is opposed to the elementary principle of economics that every tax on commodities, by raising their price, *tends* to lessen the demand for them. It is as much to our interest to "dump" cheap commodities on foreign markets, as it is to foreigners to "dump" them on ours. We make many things in England better than they make them in France—at any rate we think we do, and the French think so too, and buy them largely, notwithstanding the obstacles the French Government puts in their way in the form of heavy import duties. If it were not for these duties we should do a much larger business with the French people. Protection proposes to improve this business by placing another obstacle on our goods, in the shape of an export duty, and so increase their price to the Frenchman.

Dearness of imported commodities is the stimulus for making them at home. "Quite so," says the Protectionist, "let us make our imports dear, and that will stimulate our home manufactures." So after all, the proposed tax on exports is not so much for revenue, as to afford an argument for taxing imports. But if it be said that a tax on imports would augment revenue, as well as protect home industries, we reply that the revenue would gain nothing unless all commodities were taxed, as well those which we make at home as those of the same kind that we import. For if a box of matches "made in Germany" were to cost here twopence, because of an import tax, and a similar article equally good made here were to cost one penny because not taxed, it is clear that no German matches would be imported, and therefore no revenue would come in from that source. So the taxing of exports tends, by increasing their price, to reduce the consumption of them abroad, and therefore the output of them at home; and the taxing of imports means that the burden of such taxation (involving as it would taxation of all home-made commodities of the same kind, and so raising their price) would fall upon the consumer, whose purchasing power in other directions would be thereby so much diminished.

Let us now consider the assertion that Political Economy is an elastic system, which should be adapted to the changes of circumstances, and therefore that its principles vary with the times.

There are two natural desires in man with opposite tendencies which have much the character of appetites, since they arise spontaneously, and are satisfied by the acquisition of their object—these are the desire of bodily exercise and the desire for bodily rest. Similarly, there are two mental tendencies opposed to one another, namely, the longing to progress and acquire new experiences, and the longing to cling to old associations. As these are human tendencies they are not peculiar to any political party, but are common to us all. The assertion, therefore, that if we do this and not that we shall not be marching with the

times but be going backwards, offends the imagination by shocking a universal susceptibility. If a man on a raft be suddenly told by one who has his confidence that he is not on a raft but is standing on a quicksand, he will accept any proposal for securing his safety without criticising it. Similarly, when we are accused of going backwards the rebuke is so disconcerting that we are prone to accept the first remedy offered before troubling to satisfy ourselves whether or not the charge is true. But who can seriously assert that the system of Protection belongs to a new order of progress, and that that of Free Trade belongs to an old order? In the earliest times of barter, no Free Trade was possible; for the cumbersome machinery of exchange, the only partial division of labour obtaining, the strong tribal antipathies, and the self-sufficiencies of communities, were themselves Protective restrictions. As late as 1670, by a regulation of the French Government, rules were laid down as to who should be allowed to work, what things it should be permitted to make, what materials should be employed, what processes should be followed, what forms should be given to production. Machines were broken, products were burned when not conformable with the rules, manufacturers who produced them were attached to the pillory and inventors were fined. There were different sets of rules for goods destined for home consumption and for those intended for exportation. An artisan could neither choose the place in which to establish himself, nor work at all seasons, nor work for all customers. This state of affairs was confirmed by further decrees, and was continued down to the Revolution. (See M. Dunoyer *On the Liberty of Labour*, and Carey's *Essay on the Rate of Wages*.)

How has France—which is still one of the most highly “Protected” countries in the world—reformed since those times? By shaking off *some* of the fetters of a meddlesome and vexatious interference with the liberty of individuals and the play of natural economic principles. How has England reformed since the old days of Protection? By shaking off *all* such fetters. It is England that has broken the

shackles of Paternal Government; the countries that are still "Protected" are still in its grip. We can send a letter in this country to the Antipodes for one penny. In France it still costs fifty per cent. more to send one from one house to the house next door to it. Before 1840, the postage of a missive of a single sheet from London to Edinburgh cost 1s. 7½d. It would be as logical to say that we should be moving with the times by going back to the dear postage tariffs of protected countries, which have yet in that respect been standing still, as to affirm that we should be moving with the times by going back to Protection. Protection, in the history of the commerce of the civilised world, came first in one or other form. If the modern form be a reform it is so only in the sense that one method of restricting individual liberty may be less violent than another, as, the procedure of a tax-collector is less violent than that of a highwayman. In its essence it is a primitive form; and Free Trade being the casting off by a liberty-loving people of restrictive burdens is the reform. Again, the assertion that Political Economy is a system that can be adapted to changing circumstances involves a fallacy. The fallacy lies in the implication that economic laws are the effect of circumstances; the truth being that laws are neither causes nor effects of anything, and that Political Economy has nothing to do with circumstances independently of human beings. It is because this science is based upon human nature, upon human forces which bind people together; upon the needs, desires, rights, and obligations of individuals in the social state, and the action and reaction between them, and between one society and another, that true economic principles cannot change, and therefore are permanent. The character of their permanence is this—they make not for individual interests, but for the good of the greatest number; and therefore are in accord with moral principles. "The interest of consumers," said the great French economist Bastiat, "is the interest of the human race." Fénelon advocated Free Trade from the goodness of his heart long before economists of his time

dared recommend it. What, we ask, is the moral sentiment that inspires Protection? Protection supplies us with these terms: Monopoly, restriction, scarcity, retaliation, rivalry, preference. Free Trade, on the other hand, has a different vocabulary: Co-operation, liberty, abundance, reciprocal benefits, competition, justice. These terms have corresponding ideas, and these ideas, carried out in practice, indicate the tendencies of their respective doctrines. Would it be difficult to predicate which of these teachings must make for the happiness of mankind at large, and which not? Which tends to consolidate, and which to disintegrate the social fabric?

Having briefly outlined some of the bearings of Free Trade and Protection from a near view, we may, in finishing our sketch, step back a little and take a general survey of our subject.

It will not be disputed that a perfect state, as far as material prosperity is concerned, would be one (1) where there were no taxes; (2) where commodities cost nothing; and therefore (3) where no labour was required to secure the necessities and enjoyments of life. The next best state would be one in which taxes were as few as possible; the prices of commodities as low as possible; and therefore that the smallest amount of labour was required for securing the necessities and enjoyments of life. Now the system under which there are the fewest taxes is that where taxation is levied solely for the purpose of revenue. Protection, therefore, does not belong to this system, and is opposed to it, for it imposes taxes not only for revenue, but for other purposes as well. Free Trade, on the other hand, favours that system only where taxation is purely fiscal.

Again, the lowest prices can only obtain where there are no artificial limits to the supply of commodities, and where there is free competition between their producers. But such a state is opposed to Protection, for the aim of that system is to raise prices in the interests of producers by restricting competition. On the other hand, such a state is



favourable to Free Trade, which, opposing all obstacles to free imports and free exchanges, seeks to cheapen all the needs and enjoyments of life. Further, the system where the least labour is necessary to secure these needs and enjoyments is that in which the largest amount of labour-saving machinery is taken advantage of, both such as may be found at home and such as may be utilised by exchange with foreign countries (and co-operation and skill must be included as labour-saving factors), and also that system in which the gratuitous services of nature are the most largely and most freely appropriated. But such a system would be impossible under Protection, which is favourable to the creation of monopolies, and therefore unfavourable to co-operation. Moreover, by taxing imported manufacturers, it taxes skill, and by taxing imported products of the soil it taxes the gratuitous gifts of nature. Free Trade, on the contrary, is in perfect accord with such a system, for it discountenances all restrictions, and seeks to secure every advantage offered. Hence may be seen the relative position of Free Trade and Protection respectively to the conditions most favourable for the prosperity of mankind from a material standpoint.

There are two principles in the social state, the one economic and the other moral, which appear at a general glance to threaten its progress and integrity. These are the rising tendency of the prices of commodities, and the natural greed of human nature to secure individual interests at the expense of those of the community. The price of commodities may rise from two causes: either from a diminution of supply, or from an increase of demand. The former, which would be injurious to the general public, since their interest lies in well-filled markets—would be the cause of dear commodities under Protection, whose aim is to regulate and restrict supplies. The latter (an increase of demand) would be the cause under Free Trade; and there being no artificial limits to supplies, but every encouragement for their increase, an increase of price of commodities under this system would be itself proof of the growing

wealth and prosperity of the community. The falling, too, of prices may have an unfavourable aspect; for such also may happen from two causes. Prices may fall either from a diminution of demand, or from an increase of supplies. Under Protection the former of these causes would obtain; for taxation of commodities (other things being equal) must tend, by artificially raising their price, to diminish the demand for them. Whilst Free Trade, by opening free markets for all commodities would tend to bring about a fall of prices from the latter cause—that is, from an increase of supplies. So these economic tendencies from a nearer view are seen to act beneficially under Free Trade, but injuriously under Protection.

With regard to the moral force mentioned, which threatens the integrity of society, it will suffice to say that although human selfishness and other disintegrating forces attending ignorance and greed, may be, and are, at work in every society and under every system, there is a counter-vailing principle—whether it be called an innate love of justice, or a regard for expediency derived from experience, which makes for the co-operation of individuals for the common weal. The proof of this is the fact that whilst individual interests are centralising, the enjoyments of life, in the progress of the world, tend to become more and more widely diffused.

We affirm that this tendency which counteracts human weakness can only be generously enlivened and urged by that economic system which proclaims, not restriction, but liberty and abundance, not retaliation, but reciprocity of benefits, not preferences and favours to one class or another, but justice to all.

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**Policy of Free Imports and the Work-For-All Argument of Its Opponents. Harold O. S. Wright.**

I propose in this article to discuss the virtues of free imports from this theoretical standpoint. And I suggest to

any reader, who has never been a student of political economy, that he should strive to free his mind from an easy misconception of the real purposes of international commerce, engendered by the use of tokens of value (money or bills), and begin to look upon it, not as a means of profit-making, but in its true light as a process of exchange.

### I.

Conceive of three persons living in a state of nature. Each is a wool grower and maker of cloth; each is a grain farmer; each is the manufacturer of his own tools. So that each produces for himself clothing, food, and tools. As time goes on, the three then recognise that in one of them, owing to the circumstances of his situation and physical aptitudes there resides a peculiar capacity for wool and cloth production, in another a special skill as a grain farmer, in the third a special skill as a tool maker. What more advantageous then than that they should make an arrangement on this wise: The grain expert shall produce bread for all three, one-third of that bread he shall keep, one-third hand over to the clothing expert in exchange for clothing, one-third to the tool expert in exchange for tools. Similarly, the tool-maker and the cloth-maker shall produce their respective commodities in quantities sufficient for the three and exchange their surpluses.

By such a scheme of free exchange it is effected that the task which might be inefficiently performed by one man is, by natural process, shifted on to the shoulders of another man so situated that he can cope with it efficiently, who exchanges part of the produce of his work for the produce of other work which he, in turn, is not so efficient to perform as is the man engaged upon it. The result is that, each man being engaged upon the task for which he has a special aptitude, the work of feeding and clothing all is done more easily, more efficiently, and in less time than if each did every branch of that work for himself.

And this is equally true if, instead of individual persons, whole nations are substituted as the parties to free com-

mercial exchange; each nation will be engaged upon the different branches of industry best suited to its situation and climate, and to the capacities and habits of its people, and will exchange the surplus of its industrial products for the surplus products of other nations—this process tending, as in the case of individuals, to efficiency, and to a saving of labour and time.

## II.

The next step is to watch the effects when one of our three persons—for any reason whatever—fails to exchange his own produce for that which another is producing more efficiently than he can. The tool expert, for example, has to do without the bread of the grain expert, to do without the clothing of the wool expert, and produce his own bread and clothing. This result cannot be anything other than a disaster for the tool expert; for, inasmuch as by exchange for tools which he could produce easily he can no longer obtain bread and clothing, he is forced to produce them for himself, to devote time, that is, to work for which he is not as well qualified as are others; the consequence being that he must work harder than when he was acquiring by exchange, and yet obtain commodities inferior to those previously obtained. It is difficult to suppose, in view of this, that any individual would voluntarily refuse to accept the produce of his neighbours. Yet this course is exactly what is urged by the Tariff Reformers as likely to benefit a nation.

But of a nation, as of an individual, it is true that the one which refuses to accept from the stranger goods which are more efficiently produced than are similar goods made at home—and the relative cheapness of the goods in the home market is, of course, the standard for measuring the efficiency of production—must spend more time at work and produce less satisfactory products than under the practice of exchange. The system of restricted imports increases the total volume of work to be performed by a nation,

and at the same time prevents its members from obtaining the best products of the world as the result of that work.

No doubt the shallow minded Tariff Reformer would consider his case proved by an admission from a Free Trader that the policy of restricted imports may increase the volume of work to be done by the members of the nation. For, says he, work means wages, and wages mean wealth. But that this is a fallacy is easily seen from the well known illustration of the creation of work by the wanton destruction of a window pane; work is created for the manufacture of a new pane and its erection, and wages are paid for that work, but there is no increase of wealth; the restored window is only of the same value as it was before its pane was wantonly smashed; all that has happened is that labour which should have been employed upon useful production has been diverted to repair the useless waste caused by an act of mischief.

The truth of the matter is that, under a system of free imports, the nation secures at least an equal volume of wealth to what it would under the suggested new system, and secures it with a smaller expenditure of effort. This appears manifest when the statement is put thus:

The people of nation A, working eight hours a day, can produce food and clothing for their whole nation; working six hours a day, they can produce food for their own nation and for nation B.

The people at nation B, working eight hours a day, can produce food and clothing for their own nation; working six hours a day, they can produce clothing for their own nation and for nation A.

The obvious thing to be done is for each nation to work six hours a day (A at food production, B at clothing production) and exchange their surpluses. If each nation continues to produce both commodities for itself, does the extra two hours work per day bring additional wealth? Certainly not. Never will such extra work bring additional wealth to the nation which forces its members to it by a system of restricted imports. The proper course is to keep clear of

such protective interference, and leave the way open for foreigners to introduce to us those commodities which they produce more cheaply than we; receiving, or having previously received, in exchange, those which we produce more efficiently than they, or the services we render in carrying their goods, or the services of former years in advancing capital to them.

When the exchange ceases to have value because one nation has discovered a way of producing a previously imported commodity more cheaply or more efficiently than the other, the exchange naturally ceases to occur, since the demand for the foreign goods dies. Until it ceases to occur it can be taken as certain that it is advantageous that it should occur.

The creation-of-work argument has so much surface plausibility, and is so vigorously insisted on by the Tariff Reformers that I shall not be thought to be unduly labouring the matter if I employ another illustration to show how ill-founded it is.

Suppose that the making of a roll-top desk requires in England the work of 10,000 men for one day. Suppose that the making of a piece of cloth requires in England the work of 10 men for one day, there being nothing of extraordinary value in its raw material. Suppose that America (able to produce the desk more cheaply and the cloth only more dearly) offers to exchange a desk for a piece of cloth. If we accept the exchange we procure the desk by the labour of 10 men. If we refuse the exchange, by erecting a tariff wall round our harbours, in order to procure that desk we must employ the labour of 10,000 men; or in other words, we shall be wasting the labour of 9,990 men who might be employed otherwise. Surely, when the matter is put thus extravagantly the Tariff Reformer ought to see the folly of his more-work argument; yet it is a pitiful fact that when the figures are not so exaggerated he cannot realise his absurdity. If his philosophy were sound, gifts from one nation to another would be acts of hostility; the presentation of the Statute of Liberty by France to America would

not constitute a proof of friendship, but a subtle attempt to reduce the wealth of America by depriving her people of the work of erecting the Statue for themselves!

The fact is this: Work is not in itself an economic desideratum; the produce of work is; and when freedom of importation is interfered with, the volume of work is increased while the volume of the produce of work is diminished.

### III.

The last step in this enquiry is to discover what is to be done when one or other of our three persons has begotten a family and some of the members of it are in a state of semi-starvation, although they are quite willing to work. The reason for such an occurrence must be one of these: Either (a) someone is getting more than his share of produce; or (b) the domain of that family is not producing within itself or gaining by exchange sufficient for all.

If reason (a) explains the distress, the remedy lies in the employment of a more equitable scheme of internal distribution. If reason (b) explains the distress, the remedy lies in increasing the volume of the products of industry and exchange.

The question of distribution is a branch of social reform foreign to the subject of this article, which is concerned with the increase of the wealth of the country as a whole; but it may be well to point out that the experience of the Continent and of the large towns of America has by no means tended to show that a protective tariff is a useful instrument for equitable distribution.

The question of increasing the volume of products is very pertinent; and that which an individual would rightly do to promote this increase must also be the proper thing for a nation which has a section of its inhabitants half starved. The individual would take this course: he would welcome with open arms the flow of produce from the domains of others on to his own; and he would see to it that wherever the soil of his domain, capable of being made

productive, remained unproductive, changes were made to alter such a state of things.

Such, too, is the right course for a nation. To increase its wealth no tariff must be allowed to interfere with imports, and measures must be taken to prevent the land being held idle where it is capable of being made productive.

A word remains to be said as to the fallacies which are the foundation of the Tariff Reformer's ideas.

His views—founded on a misconception of the part played in commerce by money—seem to be these: Imports are bad, exports are good. The logical course for him to advocate would be the mooring of a gunboat at every harbour mouth with instructions to send to the bottom every incoming vessel; and, on the other hand, the loading of outward bound steamers with as much as they could carry, to be presented gratis to the foreigner. That is the really sound way of discouraging imports and encouraging exports!

The truth of the matter is that imports—the income of the nation from external sources—are the things to be encouraged; exports—the expenditure of the nation—are good in their way, but only good in that they are productive of imports.

The fallacies upon which the Tariff Reformer's views are based seem to be three.

The first is that a large amount of work means necessarily a large amount of wealth; this misconception has already been dealt with.

The second is that every payment for the foreign labour expended on imported goods is so much dead loss; whereas, in fact, that payment usually consists of goods upon which British labour has expended itself more efficiently than it could have done in producing internally the goods imported.

The third is that the extinction of an industry under stress of foreign competition is a loss which has no compensating advantage. It is true there is some immediate hardship; but it is also clear that in the long run the pro-



cess is a beneficent one. It is only the diversion of capital and labour from a field where they cannot any longer be employed to their utmost efficiency, to another field where they can be, and where they produce goods which directly or indirectly are exchanged for the foreign produce. It will be urged that capital and labour cannot continue indefinitely to find new fields of employment; but, in reply to this, it may be pointed out that when they can no longer do so, the necessity for them to do so will have ceased. For mark this: apart from those which represent dividends on our capital invested abroad, and the earnings of our carrying trade, imports are paid for by exports, and will not be sent in by the foreigner unpaid for. When, therefore, it might appear that capital and labour could no longer find a field for employment, just at this point the production of goods to exchange for foreign goods comes to an end; the importation of the foreign goods ceases, since they will not be paid for if sent; with the cessation of the imports ceases also the diversion of the capital and labour from the channels in which they are then employed.

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Free Trade v. Protection. William D. Hamilton.

When a man produces a commodity and exchanges it for money or some other commodity, he does so because the exchange confers an advantage. The advantage secured is the measure of the remuneration or the profit upon production. Hence we say that trade is conducted upon the lines of mutual advantage. As civilisation advances the circle of exchange not only widens but becomes increasingly diversified and complex. The principle on which trade is conducted, however, remains the same; and a simple illustration will suffice to explain this. Three men, a tailor, a shoemaker, and a baker produce clothes, boots, and bread. Each requires, in addition to the commodities which he manufactures, the commodities manufactured by

the other two. But each can with the greatest ease supply himself with the product of his own craft, he devotes his surplus time to supplying the other two, and in exchange gets the produce of their labour, so that all three finally get boots, bread, and clothes much more easily and much more cheaply than if each had resolved to do all these things himself. At first, let us assume, the three craftsmen all work with the most primitive tools in their respective trades. A mechanic in France, however, invents a sewing machine; and the French tailors, by adopting this device, find that they can produce clothes at one-fourth of the cost of British goods, and being desirous of obtaining British bread and British boots they can therefore pay the carriage of the goods to this country, and offer, let us say, three times as many clothes to the shoemaker and the baker in exchange for their products. But the British tailor is a staunch Conservative, unflinchingly adhering to the things his father approved of. He swears by the needle as a divinely appointed institution for providing work, and will have nothing to do with sewing machines. The natural result is that the shoemaker and the baker, being now able to live much easier, get all their clothes from France. The tailor, however, has political influence, and raises a great "patriotic" agitation, shows that work is going out of the country to be undertaken by Frenchmen, and insists that he be protected. In vain do the baker and the shoemaker protest; patriotism carries the day. A tax is imposed upon French clothes, and the baker and shoemaker, who under free conditions were having a good time, are at length reduced to the same old grind as before.

"But," says the Protectionist, "the illustration shows a triumph for our policy, for whereas only two were working and having a good time, now all three are working, although two may have to work harder and longer under Protection than under free exchange." I cannot see much of a triumph. Certainly work has been got, but the total wealth of the community has been reduced through the perversity and influence of one-third of the workers.

"But what about the tailor?" asks your Tariff Reformer, "has he not been protected?" Certainly he has; and if he can only get the clothes-tax maintained and increased, he will yet make the baker and the shoemaker sweat harder than ever.

Protection, in short, can never benefit the community or the nation which adopts it. A few may benefit, but this can only be at the expense of the many. The rational way would have been to insist that the tailor should adapt himself to the altered conditions, either by going in for sewing machines, or, seeing the new and increasing demand which was arising for boots and bread, by going in for these or some of the allied industries. In this way only can the community, or the nation as a whole, get wealth with the minimum of work.

If under such simple conditions Protection or Fair Trade so-called fails, it is quite evident that it must fail to a still greater degree where the number of crafts is multiplied, and civilisation assumes more complex and diversified forms.

In a civilisation like our own for example, Protection or Fair Trade can only benefit an almost inappreciable fraction of the community, the various rings or trusts that are interested in the tax. These, like Carnegie and others in America, will wax fat and rich beyond the dreams of the wildest avarice, but the co-relative is commensurately harder conditions for the many.

That "there is nothing new under the sun" is quite true so far as first principles are concerned, the law of gravitation was as true when the world was steeped in the ignorance of the stone age as it is now when men are cognisant of it. So with trade, the principles are eternal whether men know them or not. It is ours to discover them and shape our policy accordingly. By an intelligent appreciation of the law of gravitation we may weigh suns and put the moon in a balance, or trace the path of a projectile through the air, calculate the vibrations of a pendulum and the velocity which bursts a flywheel. But to do these things we must first resolve that reason, not the senses,

shall be our guide. To the uninstructed eye what more obvious than that the sun moves round the earth, and that the stellar universe is but dust in the balance as compared with our planet? Reason, however, changes the view point. The very opposite of this becomes established fact, and compared with the worlds around us, man with all his works shrinks into insignificance. So with Protection, what more obvious to the uninitiated than that a tax on the commodities produced in other countries will bring us national prosperity? Yet the very opposite is the truth. Our highest prosperity as a nation can only be attained by the fullest and freest intercourse with other nations.

It is no argument to say that because other nations are foolish enough to lay an embargo upon trade we should follow their example. If a little Protection be good, surely more is better. If it be good to keep some foreign products out, surely it will be better to keep out all. And in that case we should have no dealings whatsoever with other nations. The logical conclusion therefore of Protection is, that we should build a prohibitive tariff wall around our shores, and exclude all produce from the outside, doing everything for and within ourselves. But if this be good for the nation, why not for the individual? Each county, town, or village has as good a right to be protected from each and all of its fellows as the nation has to be protected from other nations. And if good for the county, town, and village, why not for families and for the individuals which compose them? Should they not on this principle be each protected from the other until we arrive at the Protectionist ideal, where, without intercourse or exchange with any other individual, every individual would produce for himself everything that he required?

This, then, is Protection shorn of all its specious trappings—a gradation towards barbarism and finally death.

Some would have us resort to Protection in the interest of agriculture. They affect to bemoan the land which has gone out of cultivation, and ascribe this sad condition of things to the 122 millions worth or thereabouts of temper-

ate zone foodstuffs which are annually dumped upon our shores. They describe this as "smothering the agricultural industry, in every view the best of all industries." But they are scrupulously careful to avoid any mention of the smothering effect of the fifty millions sterling per annum which the agricultural landlords exact as rent. Until Protectionists are pleased to consider and remove this enormous tax on agricultural production, thinking men cannot fail to regard their interest in this, "the most ancient and most useful of all industries," as the sheerest cant.

If we spend 122 millions on foreign temperate zone foodstuffs it is quite evident we get good value for our money. What, on the other hand, do the agriculturists get for the fifty millions pounds they pay as rent? Nothing but the use of the land, which was there before man came, and in all probability will remain long after he has ceased to exist. Evidently, therefore, the agriculturist needs Protection; but it is not against the foreigner who gives him good value for his money, but against the exactions of the landlord who gives him nothing that Nature has not already provided.

Man is pre-eminently a trading animal. His very necessities compel him to trade if he is to make the best of the natural opportunities with which an all wise and beneficent Creator has provided him. In this sense trade may be regarded as a divine institution for bringing men together and causing them to know each other better than they could by any other means. Any regulation therefore which prevents free intercourse and mutual understanding between man and man is not only unwise but unnatural and unholy; and the fruits of the same are hate, war and barbarism.

To secure for every industrial child of the earth the varying fruits and riches of every clime it is only necessary that absolute freedom to produce and to exchange commodities be assured. In so far as we fail to abolish restrictions upon trade to that extent shall we fail to develop that mutually beneficial interdependence, which on the economic plane testifies to the fatherhood of God and the

brotherhood of man. To that extent will the universal beneficence of the All Father be veiled from us.

In the light of these principles zollvereins, preferential tariffs, and all interferences whatsoever with trade must be regarded as the political expedients of men who are either knaves or fools.

These principles are eternal and unchanging. But to-day, more urgently than ever before, they confront the statesmen of every civilised country, and will confront them until realised in just political institutions and absolutely free economic conditions, or, if ignored, until national disaster becomes the penalty of violated law. Henry George, who more than any man has logically and fearlessly co-related the salient facts of life and experience with the operation of natural and economic law, says, in summing up his great work, *Protection or Free Trade*:

"Here is the conclusion of the whole matter, that we should do unto others as we would have them do to us—that we should respect the rights of others as scrupulously as we would have our own rights respected is not a mere counsel of perfection to individuals, but it is the law to which we must conform social institutions and national policy if we would secure the blessings of abundance and peace."

#### Free Trade Broadside. 4: 9. April, 1912.

##### Are Wages Higher?

In determining the height of wages there are two points to be considered. The first is the question of fairness. In other words, what percentage of that which the laborer produces is given back to him in wages? Times may be bad, wages may be cut down because of inability to pay, but the laborer cannot complain of added unfair treatment at the hands of his employer, so long as labor's share of the gross profits remain at the same percentage.

From the official censuses of the United States, we are able to obtain some light on this point. Let us take for instance the textile industries, owing to their being the centre of economic and sociological discussion at the present time.

Let us compare the results tabulated in the census of 1890 with the results tabulated in the special census of 1905, that being the most recent report at present available.

Our method of procedure will be as follows: To ascertain the gross profits of the textile industries, we must find the amount of enhanced value given by them of the raw material which goes into their hands. In other words, we subtract from the value of the total turned out, the value of the total raw material going in. This gives us the value of the work done by the textile industries. This value is distributed in the form of wages, salaries, dividends, rent, royalties, depreciation charges, etc. The part of this which labor gets is represented by wages. The part which the officers of the mills get is represented by salaries. It is easy to ascertain what percent. of the whole each of these items amounts to.

The following figures show the result of this calculation.

	1890	1905
Value of finished goods.....	1,261,672,504	2,147,441,418
Cost of raw materials.....	705,004,909	1,246,562,061
	<hr/>	<hr/>
Value of work done.....	556,667,595	900,879,357
Wages .....	278,167,769	419,841,630
Labor's share.....	50 per cent.	46.6 per cent.
Salaries .....	35,496,486	69,281,415
Officers' share.....	6.3 per cent.	7.6 per cent.

Thus we see that from 1890 to 1905, Labor's share of the gross profits of the business has decreased from 50 percent. to 46.6 percent., while the officers' share has increased from 6.3 percent. to 7.6 percent. Labor has lost 3.4 percent. while the employers (or rather the high salaried officials) have gained 1.3 percent.

From these same census reports we can find very much the same decrease in Labor's share in every line of industry. The following table contains a general summary of the percentages paid to the workers in 1890 as compared to the percentages paid them in 1905.

Name of industry	1890	1905
Iron and steel.....	58.4	49.5
Leather .....	41.7	39.0
Tobacco .....	45.9	41.9
Textile .....	50.0	46.6

Thus we see that the modern trend in all these industries is to reduce the share paid to the workers. Whether this is done by lowering wages or by speeding up the machines and overworking the employees, is immaterial. The fact remains that these figures show a decrease in wages, in spite of the protective tariff.

The other point to be considered in determining the height of wages is the question of the purchasing power of the wage. In other words, how much in real value are the laborers being paid? This point has been treated at some length in previous issues of the Broadside. Numerous statistics have been collected to show that the recent rise in prices has been sufficient to make the American dollar worth at least a quarter less than in the last low tariff year.

**Reader. 10: 612-8. November, 1907.**

Tariff—Help or Hindrance? William Jennings Bryan.

*Tariff on Farm Products a Mockery*

When the protectionist appeals to the farmer he assumes, as a matter of course, that the consumer of the farmer's product not only pays the tariff upon the imported article which enters into competition with that product, but that when he buys the farmer's product he pays the foreign price plus the tariff. This is consistent as a theory, and if it were true in fact the farmer might feel that his pecuniary interest would be advanced by the tariff, but as a matter of fact this argument is deceptive when applied to the farmer. The staple products of agriculture are exported, and the price of the part sold in this country is fixed by the price at which the surplus is sold abroad. There may be ex-



ceptional cases in which a tariff on farm products may for a short time help the people in a limited district, but, generally speaking, the farmers of the United States are not in the position to take advantage of the tariff. If they could combine and raise the price of the home product to a point equal to the foreign price, plus the tariff, they might share in the benefits of the present protective system, but, as they are too numerous to combine, the tariff on farm products is a mockery. If it could be shown that in some cases an import duty on farm products gives a little aid to a few farmers, the total benefit received by them would be insignificant compared with the enormous tax which all farmers must bear because of the tax placed upon the manufactured products, which they buy.

#### *Tax Falls on Consumers*

The manufacturers, on the other hand, are able to add the tariff to the price of their goods, and they can not make an argument in favor of a tariff without admitting that they do so and that they thus compel the consumer to pay the tax, whether he buys at home or abroad. If he insists that he can not manufacture as cheaply as the foreigner, and asks for a tariff just equal to the difference in the cost of production here and abroad, how can he produce, under the tariff, any better than he could without the tariff, unless he adds the tariff to the price of his goods?

As we import manufactured goods, the manufacturer occupies a position just the reverse of that occupied by the farmer. The farmer finds his competitor in a foreign market; the manufacturer finds his competitor in the home market. As the importer must pay the duty on the foreign article, his interest leads him to buy the home article if it is offered him at a price no greater than the foreign price with the tariff added.

If the home product is equal in amount to the imported product, and the domestic manufacturer collects all that the tariff enables him to collect, then the American consumer pays on account of the tariff twice as much as the govern-

ment collects. If it is a new industry, and we import ten times as much as we produce at home, then nine-tenths of the tax goes into the treasury under such circumstances; if we produce at home ten times as much as we import, and the tariff is added to the price of the domestic article, then the people pay ten times as much as the treasury receipts from that article show.

The friends of the protective system contend that competition at home will reduce prices to a point where the manufacturer will appropriate only so much of the tariff as is necessary to support his industry, and that the competition created by the new industries will lead to improvements in method which will reduce the cost of production, and thus compensate those who have temporarily borne the burden of protection.

#### *No Reduction Now-a-days*

At present, competition is to a considerable extent stifled by the trusts, and yet, even with this regulator—competition—disabled, there is no disposition among the “friends of the tariff” to inaugurate or consent to a reduction. In many instances the manufacturers sell abroad at a low price in competition with the world, and sell at home at a high price because the tariff wall enables them to do so.

The tariff was at first defended as a patriotic system, calculated to render the country independent in time of war. There is force in the argument when it is presented in behalf of a country just entering upon national existence—at least there is more force in such an argument when applied to a young nation than when applied to our nation to-day. Such an argument always implies that the protection is temporary; it is intended to guard infant industry until it is able to stand upon its feet. It is absurd to employ the argument to shield industries which are not only able to stand upon their own feet, but to walk over the feet of others. Even Henry Clay admitted the temporary character of protection. He said in 1833: “The theory of protection supposes, too, that after a certain time

the protected arts will have acquired such strength and perfection as will enable them subsequently, unaided, to stand against foreign competition."

Seven years later Mr. Clay said: "No one, Mr. President, in the commencement of the protective policy, ever supposed that it was to be perpetual."

The same doctrine is set forth by Alexander Hamilton in his report. He declares: "The continuance of bounties on manufactures long established must always be a questionable policy, because a presumption would arise in every such case that there were natural and inherent impediments to success."

### *The Warrant of History*

It is possible that the protectionists will still contend that "we always have good times when we have a high tariff and bad times when we have a low tariff," but the contention will have little weight among those who know anything of history. Good times followed the low tariff of 1846, and the panic of 1893 came a year before the McKinley law was repealed. The panic of 1873 came twelve years after the Republican party came into power and twelve years before Mr. Cleveland's first term began.

The only possible argument that can be made in favor of a protective tariff to-day is that if we had no tariff at all the foreign manufacturer might reduce his export price below the price at which he sells at home until he bankrupted our manufacturers. The force of this argument is very much exaggerated, but it is given for what it is worth. Secretary Shaw estimates that the discount made by foreign manufacturers in order to secure American trade ranges from five to twenty-five per cent. According to his own showing a tariff of twenty-five per cent. would cover every possible danger from this source. But the manufacturers, not content with such a rate, have secured a rate twice as high and obstinately oppose any reduction.

The tariff which we have to-day does not rest upon argument, or logic, or theory; it rests purely upon the power of the protected interests to control Congress.

**Co-operation Magazine. 1: 21. February, 1910.**

**How the Tariff Works.**

The man who imports \$1,000 worth of diamonds pays a tax of but \$100—10 per cent. If he imported a thousand shirts worth a dollar each he would have to leave at the Custom House and tack on to his selling price \$600—60 per cent. If he decided that he would bring in a thousand dollars' worth of champagne, one of the items on which there is a large increase, the tax levied by the tariff is \$500. If he brought in \$1,000 worth of blankets he would pay a tariff tax of \$1,645.42. If he brought in \$1,000 worth of paintings and statuary, all he would have to pay as customs duties would be \$200.00, but if it were sugar he would pay \$778.60 on \$1,000 worth. If he brought in \$1,000 worth of jewelry he would have to pay \$600 tariff tax, but if he brought in \$1,000 worth of woolen dress goods he would pay \$1,050.90 tariff. If he imported a \$5,000 automobile the tariff takers would relieve him of \$2,250. If it were \$5,000 worth of yarns, the tariff tax would be \$6,960. If the importation were \$5,000 worth of furs, the tariff tax would be \$1,650, but if it were \$5,000 worth of clothing, that tax would be \$3,330. If some New York millionaire brings in a \$100,000 ocean yacht the tariff would be \$35,000, but if the importation were stockings the tariff would be \$87,950.—The Johnston Magazine.

**Westminster Review. 161: 254-67. March, 1904.**

**Dishonest Policy: Injuring the Many to Benefit the Few.**  
M. D. O'Brien.

When seeking in human motives for the cause or causes of Protectionist tariffs, we ought never to lose sight of the ultimate fact that every producer has a natural aversion to industrial rivals. It may be doubted whether his objection to them is one whit less strong than that of lovers to rivals of another kind. Fear of rivalry is one of the weaknesses of human nature. On this feeling the Protectionist works.

He knows that we like to have our rivals kept out of the running, and he panders to our meanness by promising to keep them out. Had this gentleman been consulted when the world was formed, there would have been no biological evolution, and consequently no human race containing its encouraging examples of god-like intellect. To please his inordinate affection for the cowardice that objects to rivals, there would have been no struggle for existence, the root and cause of which is rivalry in one shape or another; industrial and commercial competition being but the economic aspect of that needful process of selection by means of which the human species, like the rest of the organic world, is advanced towards higher and higher reaches of mental and physical activity through the general survival of strength and the general elimination of weakness generation after generation and age after age. For, thanks to natural ordinances which nothing human can change, the strong in mind and in body do survive on the whole, while the weak on the whole assuredly go to the wall. For this folly weeps, but the wise who love their race will rejoice and evermore rejoice. Only by the constant elimination of such of its constituents as vary towards mental and physical inefficiency, only by the constant selection of and propagation from those that vary in the opposite direction, is the human race itself preserved, just as the individual body is preserved through the throwing off of the used-up tissues that, if not got rid of, would compass its destruction. This process is the impersonal saviour of humanity, and although, of course, to outward appearances it may be circumvented for a time, yet in the long run there is no dodging it. As happened under the sentimental despotism of the ancient empire of Peru, mental and physical inefficiency may be shored up, so to speak, and saved from the immediate consequences of itself until the whole community has become saturated with it, and ready to collapse at the slightest touch of foreign aggression. This is why the teaching of nature to those who seek the truth to live by it may be summed up in these two words: Be strong.

Every producer dislikes competition in his own particular line of business. He is always, however, glad enough to let it cheapen all products and services in which he is not commercially interested. In this respect he resembles the Scotchman who believed that Free Trade was good in everything except herrings, those being the commodities he happened to deal in. His object is to do as little as possible for the consumers and get as much as possible from them. The consumers, it must be remembered, are the general public, and therefore the interest of every individual producer, considered as such, is an anti-social interest, because it means the sacrifice of the public good (which lies in abundance and cheapness) to private gain, which, to the individual producer, lies in the scarcity and dearness of the articles in which he deals. Of course, it is perfectly true that the producer is also a consumer. The Protectionist need not remind us of this fact, for it does not in any way invalidate the elementary economic truths just set forth. The producer is undoubtedly a consumer, and this is the very reason why he is always in favour, secretly or openly, of Free Trade and open competition in every kind of business except his own; it being to his own private advantage to buy cheap what others produce, while at the same time selling dear what he produces himself. If not checked in some special manner at some particular point, the levelling and equalising tendency of competition is to deprive him of this advantage by compelling him to sell cheap if he sells at all, and thus preventing him from sponging on the services of others without giving them just value in return.

From this it logically follows that what is called Protection, which at bottom is only the legislative shielding of producers from the competition of their rivals, is an appeal, not to any desire for the public good, but simply to sectional greed, either organised or unorganised, for anti-social objects. As a matter of fact, wherever there is Protection there is organisation for these objects. There is scheming to exploit the public and to corrupt and control the Legislature. There is banding together of sectional interests bent

upon giving as little as possible to the public and exacting as much as possible in exchange for it. Such was Protection sixty years ago when it flourished in this country. Such is it to-day in America, France, Germany, Italy, and other countries where it exists. Everything, says Mr. Chamberlain, has changed during the last sixty years. But Protection has not changed. Its nature and the consequences of its nature are exactly what they were. It is still the same anti-social system. It is still the same legislative device by which monopoly robs the public. Its tendency still is to make the rich richer and the poor poorer. It still, in proportion as it keeps the foreigner out of the home market, plays into the hands of trusts and millionaires, increases their power, and multiplies their opportunities of extortion by diminishing or abolishing the foreign competition which circumvents their schemes and protects their victims from their organised rapacity. It is still the same unholy alliance between wealth and government for the purpose of benefiting the few by injuring the many. It is still just as fatal as ever to Parliamentary purity and conscientious voting on the part of elected representatives. Mr. Chamberlain has recently denied the truth of this last charge in the indictment against it, but let his denial be placed beside the testimony of one who knows by experience how far it is from fact.

"For forty years," says Mr. Franklin Pierce, of New York, "for forty years, through the enactment of protective tariffs, we [the Americans] have been corrupting our public men. We have given our legislators the power of transferring millions of dollars from the hands of the people to the pockets of the few hundred 'Napoleons of finance' by a single congressional enactment. Place three or four hundred Republicans or Democrats of approved honesty in Congress, continue them there for a few years, and a considerable portion of their number will surely yield to the temptation to make money out of tariff legislation. So successful have wealth and avarice been in controlling national legislation that to-day few men ever think of attaining wealth in great business ventures without national or State aid in the form of special legislation."<sup>1</sup>

President Cleveland, according to Mr. Roberts, once "tried to bring home to the people [of America] that a protective

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<sup>1</sup>Quoted by Mr. L. G. Chiozza-Money in the issue of the *Morning Leader* for Oct. 9, 1903.

tariff is a tax upon the whole nation for the benefit of a few sections, that it brought a revenue to the Government far exceeding all possible needs and resulting in all manner of scandalous public expenditures on pensions, public works, and the like. But it was too late. The pap of public bounty had raised up monsters of such strength and power, with tentacles interlacing such diversified ranks of life, as to make them practically unassailable. . . . The McKinley Bill . . . was attended with so many scandals as to disgust the great majority which had made it possible."

When a protective tariff is being made, "to Washington come bodies of manufacturers or chambers of commerce from some district which holds its leading factories to be in need of a little more Government aid in the shape of a tax upon the foreigner. . . . Representatives of all the great protected trades have come to Washington, taken sumptuous apartments at the hotels, and begun a season of lavish hospitality to inconspicuous members of Congress whose votes may some day be of great service for what looks like an unimportant little line in a schedule, but which really means millions and millions to the sugar refiners or the steel kings."

This hospitality includes card games at which the trust people always lose to the members of Congress. It also includes help in financial difficulties and gifts to wives and daughters. According to Mr. Chalmers Roberts,

"It is one of the saddest things in public life to see some single man, hitherto without reproach and supposed to be against the increase [in the tariff] in question, silently and without reason giving his vote in its favour. No one says anything about it, but every one knows that another honest man has fallen. Not only men but whole districts are corrupted. . . . Neither economic theory nor patriotism endures long in the light of such self-interest."

**Outlook. 92: 349-50. June 12, 1909.**

### Spread of Protectionism.

The only thing proved by the spread of the protective system is that special interests have obtained a powerful influence in politics throughout the world. It is impossible to watch the debates in the Senate without becoming convinced that the tariff is being revised, not in accordance with any economic principle, but in accordance with the demands and the strength of the beneficiaries. A Senator who was remonstrated with a few days ago for attempting to force a roll call while another Senator was trying to get the floor replied: "What's the use of talking when we've got the votes?" The arguments adduced by the revisionist



Senators have had no effect, because the Senate was not open to argument. And the source of the power of the Finance Committee has been the special interests in numerous states seeking protection.'

A Senator hesitates to disregard the behest of even a minor interest, because it has an active concern in politics which is likely to outweigh the languid interest of the general public. An industry employing a thousand men can give commands because the Senator dislikes to antagonize a thousand votes. One Senator from a state with large lumbering interests was deluged with telegrams urging him to vote to restore the Dingley rates on lumber. He refused, and voted for free lumber on the ground that the general welfare of his state and the country would be best subserved by a removal of the duty. He cast his vote with the knowledge that by so doing he would antagonize powerful interests virtually controlling many thousand votes, and that he must trust to the public at large to appreciate his service and rally to his support in sufficient numbers to counteract this loss. But few men have that amount of courage.

Analogous conditions exist abroad. Everywhere the special interest that knows what it wants from the government is at a great advantage over the general public, for its concern is direct and immediate, while that of the people is remote. The public, at home and abroad, is never represented by powerful agents at the seat of government, as are the special interests. The question of the soundness of the protective system is not involved in the action of foreign governments in adopting it. All that is proved is the influence of large interests in politics.

**Nation. 87: 130-1. August 13, 1908.**

#### Cause of Free Trade.

The reaction toward protection in England has been possible only because the generation that bred the champions of free trade has passed from the stage. Cobden, Bright,

and Gladstone are gone, and with them much of the ardent temper of the old Liberalism. The victory seemed to be completely won, the soldiers were resting on their arms, and young England had forgotten or perhaps never knew the issues that once raised such hopes and fears. Taking advantage of this apathy or ignorance, the merchants and manufacturers who are afraid to compete on 'even terms with the world, and would tax a whole people for the sake of private profit, have made their compact with the Conservative leaders and captured the organization of the party. But in spite of the money that may be poured out to secure special privileges for the few, it is hardly credible that Great Britain will again revert to the half-civilized policy that she long since abandoned.

In this country we yet have a hard road to travel before we reach free trade, or even the nearer stage of a tariff for revenue only. We are and shall remain large producers of grain and meat; and it is therefore unlikely that we shall be driven to free trade, as England was, by the pangs of the millions. The economic argument is still irrefutable; but, while men are earning a fair wage, are fed, and comfortably clad and housed, they are indifferent to general principles. Too many of us hear only the cry of the belly. The evils most apparent here and most likely to touch the popular imagination are the growth of vast monopolies under the shelter of the tariff and the wholesale corruption of our political life.

#### United States. Superintendent of Documents.

Protection's Favors to Foreigners. pp. 71-3. J. G. Parsons.

A comparison has been made of some of the export prices from these sources with the prices of the same articles in the domestic market at the same time, the domestic prices having been obtained from reliable published lists of prices current, as in *The Iron Age*, *Hardware*, and other publications, and from manufacturers' price lists. These compari-

sons are given in the tables below, as illustrations of the range of difference between home and foreign prices of articles of general use. These tables necessarily are mere fragments, for it requires time and patient labor to accurately identify a great variety of different articles and compute and compare their prices. They will, however, serve to indicate the showing that would be made by a complete comparison covering all the exported articles.

Table I shows the difference in discounts and is, therefore much more comprehensive than Table II, which shows the differences in dollars and cents between export and home prices of certain specific articles. For example, the export discount on plumbs and levels is 70-10-10-10-5 per cent, while the home discount is only 60-10 per cent. This means not merely that a particular plumb or level is referred to, but that these discounts apply to many kinds and sizes of plumbs and levels made by the manufacturer mentioned, all of which are sold for 72 per cent more in the home market than for export. Frequently, if not usually, the price lists of other manufacturers of the same articles as are here compared show about the same differences between export and home prices. It has been thought best in most cases not to publish the names of the manufacturers whose prices are quoted:

TABLE I.—*Showing differences in discounts between export and home prices.*

[The prices are of date between January 1 and May 15, 1909. Every price is of the same date as the other of the pair, export or domestic, in comparison with it.]

Articles—Description	Export discount from list.	Home discount from list.	Per cent difference.
Auger bits:	<i>Per cent</i>	<i>Per cent.</i>	
Irwin's solid center .....	60, 10, and 10	50 and 10	30
Snell's .....	70	60	33 $\frac{1}{3}$
Snell's "King" .....	60 and 10	50	39
Auger handles, Gunn's No. 5, adjustable and ratchet .....	35	15 and 10	18
Bells, Texas cow .....	50 and 10	50	11
Bird cages, Hendryx's brass .....	50	30	40
Bolt clippers, "New Easy" .....	60, 10, and 5	50, 10, and 10	18
Bolts:			
Carriage, $\frac{3}{8}$ by 6 inches and smaller ..	80 and 10	75 and 10	25
Machine, $\frac{3}{8}$ by 4 inches and smaller ..	80 and 10	75, 10, and 5	19
Tire .....	80, 10, and 15	80	17
Borers, bung hole, Enterprise's .....	40 and 2	25	27
Braces:			
Fray's genuine "Spoffords" .....	70	60	33 $\frac{1}{3}$
Fray's ratchet, Nos. 81-161 .....	60 and 10	50	39
Fray's ratchet, Nos. 83-143 .....	60 and 10	50	39
Fray's ratchet, Nos. 62-142 .....	70	50	66 $\frac{2}{3}$
Fray's ratchet, Nos. 66-166 .....	60 and 10	50	39
Fray's sleeve, Nos. 207-214 .....	60, 10, and 10	50	54
Fray's sleeve, Nos. 407-414 .....	60 and 10	50	39
Fray's sleeve, Nos. 606-614 .....	60 and 10	50	39
Fray's plain, Nos. 306-314 .....	70	50	66 $\frac{2}{3}$
Can openers, "King" .....	25	0	33 $\frac{1}{3}$
Cartridges, rim fire .....	60, 10, 10, and 6	50	64
Chains:			
Kennel .....	60 and 10	60	11
"Triumph" coil and halter .....	65, 7 $\frac{1}{2}$	40	85
"Brown" coil and halter .....	70, 10, 7 $\frac{1}{2}$	50, 5	90
"Triumph" dog leads, aluminum, size 4 ..	65	60	14
Coffee mills, Enterprise's .....	40 and 10	20 and 25	11
Door rollers and hangers, Lane's .....	60, 10, 10, and 5	60 and 10	17
Gauges, Disston's steel and center .....	45	25, 7 $\frac{1}{2}$ , and 10	12
Harness snaps:			
Covert's "Trojan" .....	50 and 10	40	33 $\frac{1}{3}$
Covert's "Yankee" .....	50	30 and 2	37
Covert's "Derby" .....	40 and 10	25	39
Lawn sprinklers, Enterprise's .....	40 and 2	30	19
Levels, Starrett's bench and pocket .....	40 and 5	33 $\frac{1}{3}$ and 5	11
Oilstones, "Lily White" and "Washita" no. 1 .....	50	33 $\frac{1}{3}$	33 $\frac{1}{3}$
Pipe fittings, malleable .....	60, 5	55, 5	10
Pipe machines:			
Jarecki's No. 6 .....	60	37 $\frac{1}{2}$ , 2 $\frac{1}{2}$	52
Jarecki's No. 7 .....	60	37 $\frac{1}{2}$	56
Jarecki's No. 7A .....	60	40	50

TABLE I.—*Showing differences in discounts between export and home prices.*—Continued.

Articles—Description	Export discount from list.	Home discount from list.	Per cent difference.
	<i>Per cent.</i>	<i>Per cent.</i>	
Plumbs, levels, etc., Disston's .....	70, 10, 10, 10, and 5	60 and 10	72
Sausage stuffers, Enterprise's .....	40 and 2	25 and 7½	18
Saws:			
Disston's Nos. 7, 107, 107½, 3, and 1 ..	45 and 7½	30 and 7½	27
Disston's combination .....	45 and 7½	30 and 7½	27
Disston's Nos. 12, 16, D8, 120, 76, 8 ..	40 and 10	25 and 7½	28
Disston's compass and keyhole .....	40 and 10	25 and 7½	28
Disston's butcher .....	50	30	40
Disston's framed wood .....	50	25	50
Disston's band .....	70, 10, and 10	60	65
Scroll saws, Barnes's velocipede .....	30	20	14
Screw-drivers, Disston's electric .....	70, 10, 10, and 10	70	37
Smoked beef shavers, Enterprise's .....	40 and 10	25 and 7½	28
Squares:			
Disston's try, rosewood handle .....	70, 10, 10, 10, and 5	60 and 10	72
Disston's steel .....	45	25, 7½, and 10	13
Traps, Lovell's rat and mouse .....	50	33½	33½
Trowels, Disston's brick .....	45 and 7½	25	47
Vises:			
Armstrong's plain and hinged .....	80 and 10	60	122
Armstrong's pipe .....	60	50	25
Bonney's .....	50	30 and 10	26
Wire, spool, Mallin's annealed and tinned, ½-pound and 1-pound .....	70, 10, 10, 10, 10, and 5	70, 10, 10 5, and 5	17

TABLE II.—*Showing difference between export and home prices of certain specified articles.*

[The prices are of date between January 1 and May 15, 1909, except in the case of a few of the items taken from the Payne Tariff Hearings, as indicated by reference to footnotes, a few of which items are of 1908. Every price is of the same date as the other of the pair, export or domestic, in comparison with it.]

Articles and description.		Export price.	Home price.	Difference.
Auger bits:				
Irwin's solid center, 4-16 .....	per doz	\$1.30	\$ 1.80	39
Irwin's solid center, 16-18 .....	"	2.92	4.05	39
Auger handles, Gunn's No. 5 .....	"	9.75	11.48	18
Bird cages, Hendryx's No. 316 .....	"	13.00	18.20	40
Bolt clippers, "Easy" and "New Easy," No. 1.....	each	1.71	2.03	18
Bolts:				
Carriage, ½ by 6 inches .....	per 100	.60	.75	25
Machine, ½ by 4 inches .....	"	.57	.68	19
Tire, ½ by 6 inches .....	"	.65	.76	17
Braces:				
Fray's genuine "Spofford," No. 107 .....	per doz	6.30	8.40	33½
Fray's ratchet, No. 81 .....	"	10.44	14.50	39
Fray's ratchet, No. 62 .....	"	6.90	11.50	66½
Fray's sleeve, No. 207 .....	"	7.13	11.00	54
Fray's sleeve, No. 606 .....	"	7.56	10.50	39
Fray's plain, No. 306 .....	"	3.60	6.00	66½
Brooms, Columbia, No. 6 a .....	"	2.25	3.00	33
Bunghole borers, Enterprise, No. 1 .....	"	.74	.94	27
Can openers, "King" .....	per gross	4.50	6.00	33½
Chain:				
"Triumph" coil and halter, No. 6/0 .....	per 100 ft	\$ 4.37	\$ 8.10	85
"Brown" coil and halter, No. 6/0 .....	"	3.37	6.41	90
"Triumph" dog leads, aluminum, size 4 .....	per 4 ft	2.80	3.20	14
Coffee mills, Enterprise, No. 1 .....	each	1.22	1.35	11
Cork screws:				
Walker's No. 28 .....	per doz	7.20	9.00	25
Walker's No. 160 .....	"	5.88	9.00	53
Corn starch b .....	per cwt	2.25	2.65	18
Egg beaters, A. & J. Mfg. Co's .....	per gross	12.15	17.64	45
Files, Nicholson's:				
Mill and round bastard, 3 to 4 inch .....	per doz	.40	.64	60
Mill and round bastard, 5-inch .....	"	.48	.68	45
Mill and round bastard, 6-inch .....	"	.59	.75	27
Flat bastard, 3 to 4 inch .....	"	.40	.79	98
Flat bastard, 5-inch .....	"	.48	.83	73
Flat bastard, 6-inch .....	"	.59	.92	56
Flat bastard, 7-inch .....	"	.75	1.03	37
Flat bastard, 8-inch .....	"	.88	1.13	28
Flat bastard, 9-inch .....	"	1.01	1.35	34
Flat bastard, 11-inch .....	"	1.51	1.84	22
Flat bastard, 13-inch .....	"	2.11	2.52	19
Square bastard, 3 to 4 inch .....	"	.40	.81	102
Square bastard, 5-inch .....	"	.48	.88	83
Square bastard, 6-inch .....	"	.59	.98	66

a From the text of the preceding pages.

b From the Payne Tariff Hearings of 1908-9 quoted in preceding pages.

TABLE II.—*Showing difference between export and home prices of certain specified articles—Continued.*

Articles and description.		Export price.	Home price.	Difference.
Square bastard, 7-inch .....	"	.75	1.09	45
Square bastard, 8-inch .....	"	.88	1.18	34
Square bastard, 9-inch .....	"	1.01	1.41	40
Square bastard, 10-inch .....	"	1.26	1.58	25
Square bastard, 11-inch .....	"	1.51	1.94	29
Square bastard, 12-inch .....	"	1.82	2.18	20
Square bastard, 13-inch .....	"	2.11	2.67	27
Gauges:				
Disston's comb, steel .....	each	.55	.62	12
Disston's center .....	"	.17	.19	12
Harness snaps:				
"Trojan" 1½ loop .....	per gross	2.70	3.60	33½
"Yankee," 1½ loop .....	"	2.90	3.98	37
"Derby," No. 733 .....	"	2.70	3.75	39
Ice picks, Walker's No. 104 .....	per doz	.98	1.50	53
Ice shaves, Walker's No. 52 .....	"	12.57	15.00	19
Lamp chimneys:				
Macbeth's No. 502 .....	"	.40	.68	70
Macbeth's No. 504 .....	"	.50	.82	64
Lawn sprinklers, Enterprise No. 2 .....	each	1.76	2.10	19
Baker, McMillan Co.'s "Eclipse" .....	"	3.33	4.00	20
Baker, McMillan Co.'s "Standard" .....	"	2.05	2.65	29
Levels, Starrett's 24-inch bench .....	"	1.28	1.42	11
Limbs squeezers, Walker's No. 175 .....	per doz	6.71	8.00	19
Nails:				
Cut b .....	per cwt	1.85	1.98	7
Wire b .....	"	1.90	2.13	12
Pipe machines:				
Jarecki's No. 6 .....	each	61.20	93.23	52
Jarecki's No. 7 .....	"	64.80	101.25	56
Jarecki's No. 7 A .....	"	160.00	240.00	50
Plumbs and levels, Disston No. 12 .....	per doz	5.82	10.08	73
Pocket knife and tool kit, Ulery's .....	per set	1.15	1.50	30
Rifles:				
Stevens's "Little Scout," No. 14 .....	each	1.35	1.75	30
Stevens's "Maynard Jr.," No. 14 .....	"	1.80	2.20	22
Stevens's No. 16 .....	"	2.00	2.60	30
Stevens's "Little Krag," No. 65 .....	"	2.50	3.00	20
Stevens's "Favorite" .....	"	3.47	4.50	30
Sausage stuffers, Enterprise No. 5 .....	"	2.20	2.61	18
Saws:				
Disston's hand, 30-inch, No. 7 .....	per doz	13.74	17.48	27
Disston's hand, 30-inch, No. 16 .....	"	15.39	19.98	28
Disston's combination, No. 43 .....	"	15.26	19.42	27
Disston's butcher, 24-inch, No. 7 .....	"	8.50	11.90	40
Disston's framed wood, No. 80 .....	"	6.00	9.00	50
Disston's band, 2-inch, 18-gauge .....	per foot	.157	.26	65
Barnes's combined scroll and circular .....	each	28.00	32.00	14
Screws, flat-head iron wood:				
Size, ¼ inch, Nos. 1 to 4 .....	per gross	.034	.073	115
Size, ½ inch, Nos. 1 to 4 .....	"	.034	.073	115

b From the text of the preceding pages.

TABLE II.—*Showing difference between export and home prices of certain specified articles.—Continued.*

Articles and description.		Export price.	Home price.	Difference.
Screws, flat-head iron wood—Continued.				
Size, ½ inch, Nos. 1 to 3 .....	per gross	\$ 0.034	\$ 0.078	115
Size, ¾ inch, No. 4 .....	"	.038	.076	100
Size, ¾ inch, No. 4 .....	"	.04	.079	97½
Size, 1 inch, No. 20 .....	"	.192	.365	85
Size, 1½ inch, No. 18 .....	"	.182	.385	112
Size, 2 inch, No. 24 .....	"	.34	.649	91
Size, 2½ inch, No. 10 .....	"	.128	.243	90
Size, 3 inch, No. 12 .....	"	.192	.334	74
Size, 4 inch, No. 26 .....	"	.792	1.421	80
Size, 5 inch, No. 18 .....	"	.648	1.116	72
Size, 6 inch, No. 20 .....	"	.96	1.624	69
Screws, flat-head brass wood				
Size, ¼ inch, No. 1 .....	"	.072	.136	89
Size, ½ inch, No. 6 .....	"	.084	.195	132
Size, ¾ inch, No. 6 .....	"	.084	.211	151
Size, ¾ inch, No. 6 .....	"	.096	.227	136
Size, ¾ inch, No. 6 .....	"	.108	.251	132
Size, 1 inch, No. 14 .....	"	.30	.82	173
Size, 2 inches, No. 16 .....	"	.632	1.738	175
Size, 3 inches, No. 18 .....	"	1.056	3.241	207
Size, 4 inches, No. 20 .....	"	1.608	5.005	211
Size, 5 inches, No. 24 .....	"	2.64	8.74	231
Size, 6 inches, No. 28 .....	"	4.608	13.479	193
Screws, round-head iron wood:				
Size, ½ inch, No. 1 .....	"	.034	.087	156
Size, 1 inch, No. 6 .....	"	.06	.112	87
Size, 1½ inches, No. 10 .....	"	.10	.17	70
Size, 1½ inches, No. 16 .....	"	.192	.341	78
Size, 2 inches, No. 16 .....	"	.228	.378	66
Size, 3 inches, No. 18 .....	"	.412	.67	63
Size, 4 inches, No. 26 .....	"	.888	1.70	91
Size, 5 inches, No. 26 .....	"	1.248	2.194	76
Size, 6 inches, No. 28 .....	"	1.84	3.291	79
Screws, round-head brasswood:				
Size, ½ inch, No. 1 .....	"	.072	.168	133
Size, 1 inch, No. 6 .....	"	.16	.329	106
Size, 1½ inches, No. 10 .....	"	.336	.776	131
Size, 2 inches, No. 16 .....	"	.768	1.955	155
Size, 3 inches, No. 18 .....	"	1.24	3.646	194
Size, 4 inches, No. 20 .....	"	1.872	5.627	201
Size, 5 inches, No. 24 .....	"	2.88	9.83	241
Size, 6 inches, No. 28 .....	"	5.76	15.15	163
Screw-drivers, Diaston's electric, 12-inch .....	per doz	1.36	1.86	37
Sewing machines, foot a .....	each	22.00	26.50	20
Shoe dressing:				
Whittemore's "Gilt Edge" .....	per doz	1.20	1.75	46
Whittemore's "Baby Elite" .....	"	.60	.67	12
Shotguns:				
Steven's No. 107 .....	each	3.00	4.50	50
Steven's No. 225 .....	"	8.67	9.75	12
Smoked-beef shavers, Enterprise's No. 23 .....	"	4.32	5.55	28

a From the text of the preceding pages.



TABLE II.—*Showing difference between export and home prices of certain specified articles.—Continued.*

Articles and description.		Export price.	Home price.	Difference.
<b>Squares:</b>				
Disston's try, rosewood, 10-inch, No. 1 .....	per doz	1.66	2.88	72
Disston's steel, 4-inch .....	each	1.10	1.46	13
<b>Steel rails:</b>				
Bessemer standard a .....	per ton	25.85	28.00	8
Open hearth standard a .....	"	28.60	31.85	11
Sugar, refined a .....	per pound	.028	.0455	75
Traps, Lovell's mouse and rat, metallic .....	per gross	5.50	7.38	33½
Trowels, Disston's brick, 8-inch, No 1 .....	per doz	4.07	6.00	47
Typewriters, Underwood a .....	each	74.25	90.00	21
<b>Vises:</b>				
Armstrong's hinged, No. 1 .....	"	1.80	4.00	122
Armstrong's combination, with leg sockets .....	"	6.40	8.00	25
Bonney's No. 112 .....	per doz	2.25	2.84	26
<b>Watches:</b>				
Elgin movement, 20-year gold-filled case .....	each	7.98	10.23	28
Elgin movement, silveroid case .....	"	3.04	4.47	47
Wheels, carriage, plain grade "A," per set of 4 .....	"	8.00	11.25	41
Wheels, carriage, Sarvin patent, grade "A," per set of 4 .....	"	21.00	30.00	43
Wrenches, Hawkeye "5 in 1" .....	per doz	3.60	4.50	25

\* From the text of the preceeding pages.

### Meaning and Effect of Low Export and High Domestic Prices.

#### *Domestic Industries Weakened and Discouraged*

The great mass of evidence briefly reviewed here from a variety of reliable sources, official and unofficial, from publications and directly from actual business transactions, shows clearly that the practice of selling protected American goods cheaper abroad than at home, to which the Tariff Reform Committee first called public attention in 1890, has continued right along to date as a very general business custom. It appears to be reasonably certain that the great bulk of our manufactured goods, amounting to practically \$490,000,000 for the year ending June 30, 1908, not counting the crude or partially manufactured goods, are sold to foreigners at prices much lower than those prevailing in this country.

It is clear that these exported goods are not sold at a loss, except in rare cases. It is also certain that the drawback of duties does not account for more than a very small part of this foreign selling at reduced prices.

This discrimination against the American people has cost them incalculable but enormous sums of money during the past twenty years in the differences between domestic and export prices alone, without consideration of any other feature. There are, however, other very important features of this matter, the meaning and effect of which are matters of vital concern to all our people.

The clear meaning of these facts of lower export prices is that our tariff duties are, and have long been, unnecessarily and inexcusably high, even from a protectionist point of view, and that under the cover of this excessive "protection" trusts and combinations have grown up and taken control of our home market and exact exorbitant prices from domestic consumers. The fact that an industry regularly sells its products abroad at lower than domestic prices shows, of course, that it does not need any "protection," even from a protectionist view point.

The effect of this situation is that our citizens, who have generously taxed themselves for the benefit of these favored industries, are seriously oppressed. Many domestic industries are weakened and discouraged. All unprotected exporters, whether manufacturers or farmers, are seriously handicapped, because they are compelled to pay higher prices for materials, machinery, and supplies than are paid by their foreign competitors. Hence the "protective" policy, instead of encouraging home industry, is really encouraging foreign industry. In fact, largely for the reasons stated, many important manufacturing establishments founded and carried on by American capital have in recent years been located abroad rather than in the United States. And, finally, this destructive policy leads to retaliatory tariffs on the part of foreign countries, which are called on by their manufacturers to protect them against the lower export prices of our manufacturers. These hostile tariffs and trade wars therefrom now

threaten serious damage to the foreign business of a very large number of American industries.

*American Industries Being Located Abroad*

The location of American manufacturing establishments abroad is a large and important subject in itself, and can only be incidentally referred to here. Public attention has been called to this development from time to time. Official mention of it was made in the special article on iron and steel in the Report of the Bureau of Statistics on Commerce and Finance issued in August, 1900, the same article from which extracts about lower export prices are given above on pages 4 and 5 (of pamphlet from which quotation is taken). Special mention of the development was made in the pamphlet, *Export Prices*, issued by the Tariff Reform Committee in October, 1904.

Our American manufacturers are intelligent and enterprising, and those who found their efforts to market their products in foreign countries thwarted by the unnaturally high cost of materials here, and who also found that the drawback system was entirely insufficient as a relief, quite naturally took the logical and necessary step of establishing branch factories abroad for making goods for the foreign trade. Our stupid and destructive tariff legislation has created a constant business pressure on them to do so, for through this legislation practically all the requirements of manufacture except labor are to be had much cheaper abroad than at home, not merely the materials of foreign production, but also practically all the materials of American production, like the iron and steel products and other materials mentioned in the preceding pages. All nations gladly receive additional industries settling within their borders, and, since the migration of a number of important American industries years ago, several important European countries, taking a quiet hint, have made one more move in the great game by so changing patent laws as to require manufacturing within their borders for the preservation of patent rights therein;

and this has added to the force of "protection" in driving American industries away from home.

The extent of this movement of American industries away from home, and the effect of it in limiting our export trade and otherwise, are very well indicated in an article written by a prominent Republican and protectionist, Mr. S. N. D. North, until very recently Director of the Census. This article is entitled "The Tariff and the Export Trade of the United States," and appeared in the issue for January, 1904, of the *Annals of the American Academy of Political and Social Science*. In it Mr. North shows the heavy burden of tariff duties upon wool and other raw materials, and asserts that American manufacturers are not greatly handicapped by the higher wages here because, man for man, the average American workman can accomplish more in a given time and do better work than the average working-man of any other country, and can thus offset, in a very considerable degree, the difference in day wages between our own and all European countries. After this, Mr. North goes on to say:

It remains the fact that a constantly increasing number of our great manufacturing corporations are constructing vast plants abroad to supply their foreign customers; and of course they would not do this unless experience proved there was an advantage in it. I have before me a long list of these establishments. It indicates that more than \$40,000,000 of American money is now invested in European plants devoted to the manufacture of various American specialties, including all descriptions of electric apparatus, sewing machines, belting radiators, shoe machinery, coal-conveying apparatus, steel chains, machine tools, hoisting machinery, boilers, pumps, blowing engines, mining machinery, printing machinery, elevators, match-making machinery, pneumatic tools and photographic apparatus.

The Western Electric Company, of Chicago, Ill., is interested in extensive factories in London, Paris, Antwerp, and Berlin, not all of them carried under the name of that company, but all of them established and controlled by its capital. The General Electric Company has three or four such establishments, and has recently constructed a huge new factory in Rugby, England. The Westinghouse Company has just finished, at Trafford Park, in England, one of the largest electric factories in Europe, employing two or three thousand men, and it has other factories in Havre, France, and St. Petersburg, Russia. The Singer Sewing Machine Company has three large plants in Europe, under its direct control. The Chicago American Tool Company is building a plant at Frazerburg, near Aberdeen. The Howe printing presses are made in London, as is also the American linotype machinery. The Draper Company has recently completed its new factory in

